

ISLAMIC ECONOMICS

Theory and Practice

[A COMPARATIVE STUDY]

BY

M. A. MANNAN

With a Foreword by

DR CHARLES S. BENSON

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It is, however, essential that the curriculum for religious education for Muslims should be re-designed to reflect the teachings of Islam as a dynamic force of unity and progress and as inspiration for building a democratic, tolerant and just society as envisaged in the concept of Pakistan.

—The New Education Policy of The Government of Pakistan
Islamabad, March 1970

FOREWORD

It gives me immense pleasure to write a foreword to the book, *Islamic Economics: Theory and Practice*, by Mr M. A. Mannan. There is hardly any standard work on this subject covering such a wide range of topics. Although I am not competent to pronounce any judgment on Islamic Laws and Jurisprudence, yet, in my opinion, Mr Mannan's interpretation of the Islamic viewpoint in relation to modern economic theory and thought is worthy of consideration. His new synthesis is likely to provoke further analysis on the subject.

To me, there is an urgent need for synthesis between economic progress and preservation of moral and spiritual values. We must supplement the material reward which often results from economic development with non-material satisfactions and motivations through the creation of a more just society. This approach to development is especially significant in case of Pakistan—a nation committed to welfare concepts based on the ideology of Islam.

Moreover, I judge Mr Mannan, in explaining the Islamic tenets, has brought out the implication of various religious injunctions of Islam and their bearing on some of the very pressing issues confronting the Muslim world. In this connection also, he gives a number of practical suggestions. The most important point which the author has raised is the founding of a Muslim World Bank of Development to better utilise the vast resources of the Muslim countries. This is not a utopian notion, but a practical and useful suggestion. If the Muslim countries join hands together and make serious efforts in this direction, this scheme could be fully transformed into a great reality.

Mr Mannan deserves our appreciation for his contribution in this field.

(Dr) CHARLES S. BENSON

University of California
Berkeley, U.S.A.
2 June 1970

PREFACE

The book *Islamic Economics: Theory and Practice* seeks to give my learned readers an insight into the economic values of Islam in the context of modern economic thought. It is, therefore, primarily analytical. In this book an attempt has been made to examine whether Islam could give a workable code of conduct and a blueprint of the socio-economic framework; thus, in addition to theoretical analysis of various economic problems of the Muslim world, a number of practical suggestions based on Islamic values of life have been put forward for policy decisions. As, for instance, I have advocated founding a Muslim World Bank on the model of I.B.R.D., the Asian Bank and the African Bank; I have suggested setting up of a network of consumers' co-operatives to solve the problem of consumption loans and price inflation; I have underlined the need to establish a "People's Zakāt Trust," and emphasised the urgency of associating the 'Ulamā' with development planning by setting up of "Mosque Community and Farm Guide Centres," and so on. Since Pakistan is committed to Welfare State concepts based on the ideology of Islam, I have also discussed many economic problems of Pakistan in the light of Islamic values.

In writing this book, works of many eminent authorities have been freely consulted and quoted not only to emphasise certain ideas but also to give them an authoritative impression. I am grateful to all of them. Many verses of the Holy Qur'ān and Hadīths have also been repeated here and there for the purpose of analysis. A part of the book was also published in the form of articles in various national and international journals with a view to ascertaining the reaction of the learned readers. I have taken note of their reactions at the time of final preparation of the manuscript.

With a feeling of humility I must appreciate the unfailing encouragement I used to receive from my father-in-law, Mr K.A. Hossain, ex-Member of the Bengal Civil Service, from time to time which has greatly stimulated my interest in writing this book.

I express a deep sense of gratitude to Dr Mahbubul Haq, Mr Raihan Sharif, Dr Moinuddin Baqai, Dr M.A. Sattar, Mr

Preface

M. A. H. Khandkar, of Planning Commission, Government of Pakistan, for their help in several ways.

I am also grateful to Dr Charles S. Benson, Professor, University of California, Berkeley, U.S.A., for the trouble he has kindly taken in writing a Foreword to my book. He is an educationist of international repute and author of a number of books on Economics of Education.

I must record my thanks to Mr M. M. R. Chowdhury of the Ministry of Education, Dr Abdun Noor of the Planning Commission, Mr Mosharraf Hussain of Military Accounts Service, Mr Mahmood-i-Elahi and Mr Aurangzeb Khan of the Ministry of Foreign Affairs, Mr Bazlur Rahman and Mr Abdul Ghani Alvi of the Ministry of Finance and Mr W. Rasool, ex-Editor, *Sandhan*, of Islamic Research Institute, for their encouragement.

I am grateful to the Planning Division for permission to publish this book in my personal capacity.

I am greatly indebted to my renowned publisher, Sh. Muhammad Ashraf, for his kind co-operation and help. But for the help of Mr Ashraf Darr it could not have been possible to publish this book so soon and in such a presentable way.

I am also obliged to my wife, Mrs Nargis Mannan, B.A. (Hons.), M.A., for her invaluable co-operation. This is not merely a routine acknowledgment of her help.

My thanks are also due to my Steno, Mr Nurul Islam Bhuiyan, for his help.

Finally, I would like to confess that I am not a scholar in Islamic literature. The present work which is the outcome of private study is based on my conviction that the Socio-Economic System of Islam could serve as a guide for the ailing Muslim world, nay, the world at large. My labour will, however, be amply rewarded if some of my thoughts and recommendations, as reflected in the book, find an echo in the hearts of those for whom this book is intended.

In this connection it may be mentioned that the Punjab and Karachi Universities have recently introduced a paper in their M.A. classes on "Economic Values of Islam". Although I started this work long before the introduction of the paper in question, this book is expected to cover more than 90% of the syllabus of

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the course. I hope, this book will be of great help to all serious students of Economics.

However, the views expressed in the book are purely personal and do not in any way reflect the views of the Planning Commission. The defects or deficiencies in the analysis, if any, are entirely attributable to me.

M. A. MANNAN

Islamabad

1 September 1970

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Chapter I

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Its Meaning and Scope—A Comparative Analysis

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Chapter I

ISLAMIC ECONOMICS

Its Meaning and Scope—A Comparative Analysis

And when the Prayer (morning)
Is finished, then disperse
Ye through the land,
And seek the Bounty of God.

—*al-Qur'ān*, lxii. 10

The adoption of Western economic theory and practice will not help us in achieving our goal of creating a happy and contented people. We must work our destiny in our own way and present to the world an economic system based on the true Islamic concept of equality of mankind and social justice. We will thereby be fulfilling our mission as Muslims and giving to humanity the message of peace which alone can save it and secure the welfare, happiness and prosperity of mankind.

—*Quaid-i-Azam Muhammad Ali Jinnah*
In his address at the time of inauguration of the State Bank of Pakistan on
1 July 1948

To me, Islamic Economics is a social science which studies the economic problems of a people imbued with the values of Islam. This definition of Islamic Economics is in striking contrast to the modern definition of Economics which is a "study of mankind in the ordinary business of life". To put it more clearly in the words of Professor Robbins: "Economics is a science which studies human behaviour as a relationship between ends and scarce means and which have alternative uses." The aptness of this definition is not incontrovertible, but it provides at any rate a very good description of the subject-matter of modern Economics which is primarily a study of man living in a society. If Sociology is a genus, Economics is a species of the same genus. No doubt, Islamic Economics is a part of Sociology. But this is a social science in a restricted sense. Because here we are not studying each and every individual living in society. Islamic Economics is the study of man—not of an isolated individual but of a social individual having faith in the Islamic values of life. Like modern Economics, Islamic Economics does not study the world consisting of men like Robinson Crusoe. Because the phenomenon of exchange, either as a fact or as a possibility, is to be included in both the Economics.

Modern Economics deals mainly with problems involving money. There is, indeed, an increasing number of economists who endorse the view that Economics is concerned with that aspect of human behaviour which is concerned with money-getting and money-spending. But classical writers and their present-day followers are inclined to go behind the money veil and to depict the economic problem in non-monetary terms. The fundamental economic problem of mankind owes its origin to the fact that we have wants and that these wants cannot generally be satisfied without the expenditure of our limited resources of human energy and material equipment. If we had unlimited means for the satisfaction of all kinds of wants, the economic problem would not have arisen. So far as this basic problem of scarcity is concerned, there is hardly any difference between Islamic and modern Economics. If there is any difference, it lies in its nature and volume. That is why the main difference between these two systems of Economics can be found with regard to handling of the problem of choice. The question of choice arises from the fact that our resources are

And when the Prayer (morning)
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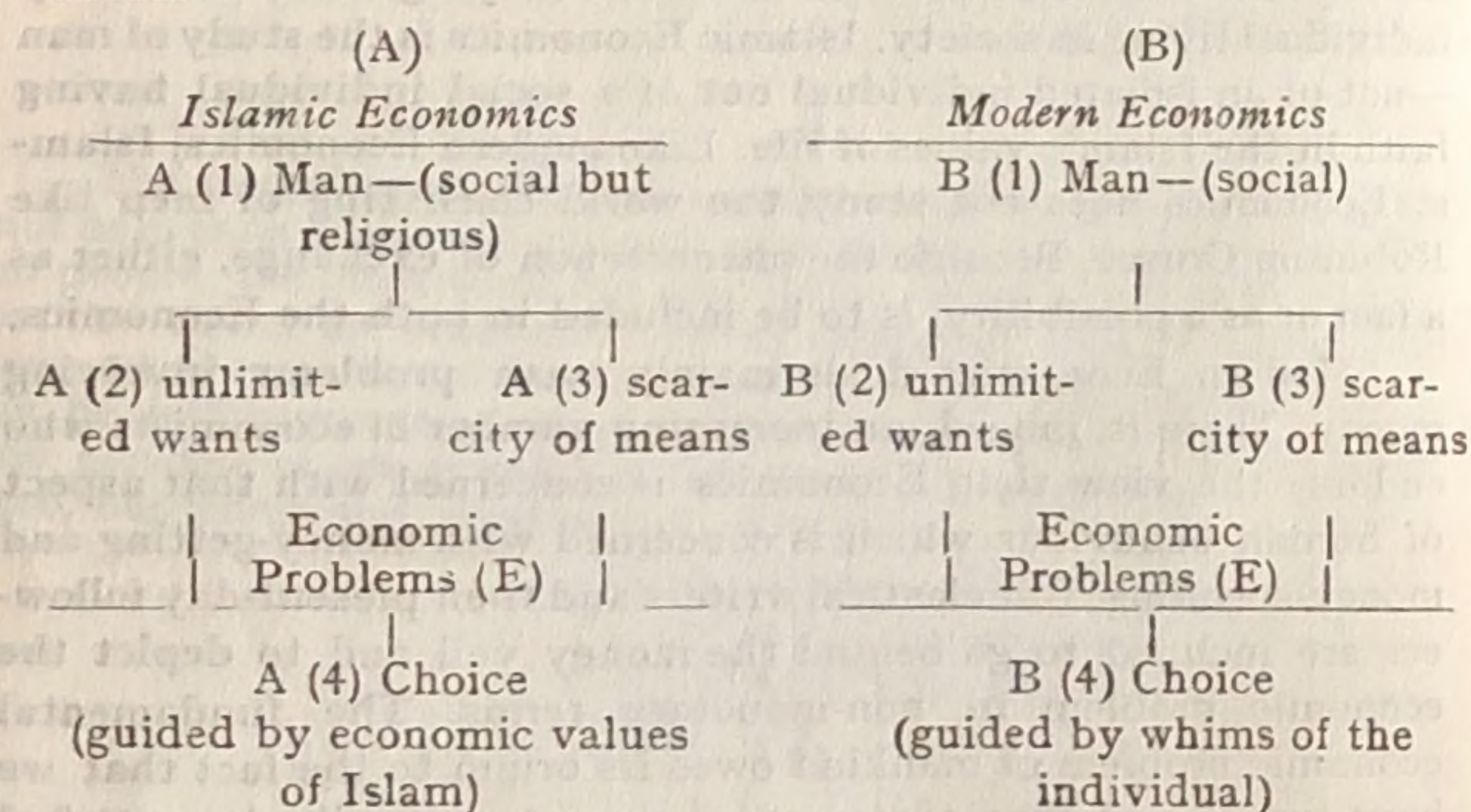
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limited so that the satisfaction of some kind of want is at the expense of some other want which must go unsatisfied. The eternal conflict between multiplicity of wants and scarcity of means forces us to make a choice between our wants, to fix up a list of priorities and then distribute our resources in such a manner as to be able to secure maximum satisfaction of wants. In modern Economics, this problem of choice is greatly dependent on the whims of individuals. They may or may not take into account the requirements of society. But in Islamic Economics, we are not in a position to distribute the resources in any way we like. There is a serious moral limitation imposed by the Holy Qur'an and the Sunnah on the powers of the individual in this respect. The entire circle of economic activity may be explained with the help of the following two charts :



Thus to sum up, in Islamic Economics we study not only the social individual but also man with religious bent of mind [A(1)], whereas in modern Economics we are primarily interested in a people living in a society [B(1)]. It is because of a multiplicity of ends [A(2)/B(2)] and scarcity of means (A3/B3), that the economic problems have arisen (E). This problem is basically same in both the modern and Islamic Economics. But the difference arises with regard to choice. Islamic Economics is guided by the basic values of Islam [A(4)] and modern Economics based on capitalistic socio-

economic framework is greatly controlled by the whims of the individual [B(4)].

This difference gives rise to the controversy whether Islamic Economics is concerned with ends or whether it should be neutral between different ends. Because modern Economics is indifferent between ends, it discusses the economic problems as they are, not what they ought to be. In other words, modern Economics is not concerned with value-judgment. Thus Professor Robbins observed : The subject-matter of Economics is essentially a relationship between ends conceived as tendencies to conduct, on the one hand, and the technical and social environment on the other. Ends as such do not form part of the subject-matter. Nor does the technical and social environment. It is the relationships between these things and not the things in themselves which are important for the economist.

But some recent writers like Hicks, Lange, Kaldor and others tried to restore at least a part of Welfare Economics on a strictly scientific basis. According to these writers, economic welfare is maximised if our economic resources are allocated in an optimal manner. The task of Welfare Economics, then, is simply to analyse the conditions of such optimum allocation. It should be noted that no ethical significance is attached by these writers to the term "welfare".

Whether we like it or not, Islamic Economics cannot remain neutral between different ends. Thus the activities concerning the manufacture and sale of alcoholic drinks may be good economic activities in the modern economic system. It cannot be so in Islamic States. Because on many occasions they do not promote human welfare—a welfare which may not be measured in terms of money. In modern Economics the individual's welfare is regarded as an increasing function of the commodities and services which he, according to his scale of values, likes to have, and as a decreasing function of efforts and sacrifices which he will have to make for their attainment. But in Islamic Economics the individual must take into account the injunctions of the Holy Qur'an and the Sunnah in pursuing his activity. In Islam, social welfare is maximised if economic resources are so allocated that it is impossible to make any one individual better off by any rearrangement without making anyone or some others worse off within the

framework of the Qur'ān and the Sunnah. Anything which is not expressly prohibited in the Qur'ān or the Sunnah but is consistent with the spirit of the same may be styled as Islamic. We find no harm in having such activities to be carried out in the Islamic economic system.

Though Islamic Economics, like modern Economics, is not merely concerned with that aspect of human behaviour which is related to money-getting and money-spending, yet they form a great part of our economic activities. It is really surprising that even fourteen hundred years ago Islam tried to bring about a lasting balance between earning and spending in order to achieve the target of the maximum social advantage. Islam has always emphasised lawful earning of livelihood. All unlawful means of acquiring property are prohibited as these, in the end, destroy a people (iv 30). It has, therefore, laid down certain rules which govern and determine the form and intensity of wealth-earning activities of man. They are so restrained as to be in complete harmony with the peace and well-being of society as a whole. At no stage are these economic activities to be free from the yoke of moral considerations. To this effect the Holy Qur'ān says (ii. 168) :

O ye people !
Eat of what is on earth,
Lawful and good ;
And do not follow
The footsteps of the Evil One,
For he is to you
An avowed enemy.

Thus an Islamic State can encourage only those legitimate activities which are in complete harmony with social good. It follows that Islam views with extreme disfavour a monopoly of resources by a few capitalists (lix. 7) and the stress is always on socially beneficial spending only. The Holy Qur'ān says (xxxv. 29) :

And spend (in Charity)
Out of what We have provided
For them, secretly and openly,
Hope for a Commerce
That will never fail.

In fact, niggardliness is condemned as a negative and destructive quality. Wealth of the misers, instead of bringing them any

advantage, becomes a handicap and arrests their moral and spiritual development (iii. 181). The other extreme, extravagance, is equally condemned. He commands :

But waste not
By excess, for God
Loveth not the wasters (vi. 141).

Verily spendthrifts are brothers
Of the Evil Ones ;
And the Evil One
Is to his Lord (Himself)
Ungrateful (xvii. 27).

The fact is that Allah is Alone and All-Sufficient. It is men who are needy, and prosperity is achieved not through miserliness or holding back but through beneficent spending in the cause of Allah, that is, in the service of His creatures (xlvii. 39).

In this way, Islam harmonises the money-earning and money-spending activities in such a way that they may promote welfare of the people.

Thus in one sense, Islamic Economics is more restricted and, in the other sense, it is more comprehensive than modern Economics. It is restricted, because it is concerned only with those people who have faith in the Oneness of Allah and His moral teachings as reflected in the Holy Qur'ān and the Sunnah. It is also restricted, because an Islamic State cannot encourage any and every economic activity. The activities which cannot promote human welfare cannot be encouraged in an Islamic State. But the concept of human welfare cannot be static, and is always relative to changing circumstances. The point is that the concept of welfare must be in harmony with the Universal Principles of Islam—principles which will remain valid for all times to come just as the sum total of one plus one will remain true to all ages.

Again, it is comprehensive because Islamic Economics takes cognizance of non-economic factors like political, social, ethical and moral. In a sense it is like an Applied Economics which also takes into cognizance of non-economic factors—the roughness and frictions of the actual world which tilt the balance of a practical decision. Thus the scope of Islamic Economics seems to become the administration of scarce resources in human society in

the light of ethical conception of welfare in Islam. It is, therefore, concerned not only with the material causes of welfare, but also with immaterial goods subject to the Islamic prohibition on consumption and production.

It may be noted here that this basic notion of the science of Economics owes its origin to the brilliant writings of many famous Muslim writers like Ṭūsī, Ibn Khaldūn. Ṭūsī's definition of Economics clearly underlined the importance of the value of exchange, division of labour and welfare of the people. Thus Muḥammad bin Ḥasan Ṭūsī (d. 1274 C.E.), in his famous Persian work *Akhlāq-i-Nāṣirī* wrote:

If every person had to remain occupied in producing his own food, clothing, shelter and tools respectively . . . he could not have survived because of becoming foodless during the (long) period required (for supplying the above things). . . . However, since people co-operate with each other and everyone adopts a particular profession, producing more than what is sufficient for his own consumption, and since the laws of justice take care of the matters pertaining to the exchange of one's surplus output with the products of other people, economic means and goods become available to all. . . . Thus God in His wisdom diversified people's activities and tastes so that they might adopt different occupations (to help each other). . . . It is this division of work which brings into existence international structure and mankind's economic system. Since human existence does not acquire a shape without mutual co-operation, it cannot take place without social contact, hence man by nature is dependent upon society.

Again, in his definition Ibn Khaldūn (1332-1406 C.E.), the celebrated Arab scholar of Tunis who is universally recognised as the father of Social Sciences, has given a definition of Economics which is broader in scope than that of Ṭūsī's. He saw more clearly than many later economists the intimate connection between Economics and human welfare.

His reference to "the dictates of reason as well as ethics" shows that he considers Economics both a positive and a normative science. Further, his use of the word "Masses" (*al-Jamhūr*) is indicative of the fact that the purpose of the study of Economics is to promote welfare of masses and not of individuals. It is so because economic and social laws operate on masses and cannot be significantly influenced by isolated individuals. It is Ibn Khaldūn who

saw the interrelationship between economic, political, social, ethical and educational factors. Although his celebrated *al-Muqaddimah* deals with these factors separately, he considers them as inter-linked "aspects of civilisation that affect human beings in their social organisation".

Besides Ṭūsī and Ibn Khaldūn, many a brilliant Muslim scholar like Imām Abū Yūsuf (d. 798 C.E.), Yaḥyā b. Ādam (d. 818 C.E.), al-Ḥarīrī (1054-1122 C.E.) contributed to the development of the science of Economics. It is they who gave Economics a distinct shape and treated its subject-matter on a scientific basis. Viewed from this angle of view, these Muslim scholars can be regarded as the forerunners of the Mercantilists, Physiocrats and Classical writers.

Chapter II

ISLAMIC AND ECONOMIC LAWS

1. Introduction
2. Nature of Economic Laws
3. On the Dynamics of Islamic Laws
 - (a) Concept of the Qur'ān
 - (b) Ḥadīth and Sunnah
 - (c) Ijmā'
 - (d) Ijtihād or Qiyās
 - (e) Conclusion

HĀ-MĪM. By the Scripture that maketh plain. Lo! We revealed it on a blessed night—lo! We are ever warning—whereupon every wise Command is made clear, as a Command from Our presence. Lo! We are ever sending a Mercy from the Lord. Lo! He is the Hearer, the Knower.

—*al-Qur'ān*, xlv. 1-5

More pure than the system of Zoroaster, more liberal than the laws of Moses, the religion of Muhammad might seem less inconsistent with reason than the creed of mystery and superstition which in the seventh century disgraced the simplicity of the Gospel.

—Gibbon, *Decline and Fall of the Roman Empire*

1. Introduction

In this chapter my main objective is to establish that Islamic law (*Shari'ah*) has the ability for evolution and development to face the contemporary issues of the world of Islam. The spirit and general principles of Islamic laws were valid yesterday, are valid today and will remain valid tomorrow. In most cases, the Islamic scheme of laws leaves the details to human reason. The reason, of course, has been tethered to revelation and a wide range has been provided to it for its function. It is this absence of details that gives Islam an amount of elasticity, unknown in any other system, and it is this elasticity and adaptability in details that make Islam a universal code, capable of being realised at all times. We can see the same principles running through all the teachings of Islam. As a wonderful combination of rigidity and flexibility is inherent in Islamic laws, there are some points of similarity and dissimilarity between Islamic laws and economic laws. Let us now confine ourselves to explaining the nature of economic laws.

2. Nature of Economic Laws

An economic law is a statement of tendencies—a statement of causal relationship between two groups of phenomena. All scientific laws are laws in the same sense. If there is a combination of hydrogen and oxygen, other things being equal, we get water. So also in Economics, other things being equal, if the price of a commodity rises, the demand for it will usually fall. If a law of chemistry be a natural law, an economic law is also a natural law in the same sense. But the laws of Economics cannot be as exact as the laws of natural sciences. They are due to the following reasons.

First, Economics is a social science and as such it has to deal with a multiplicity of men guided by a multiplicity of motives. This element in the situation is responsible for the fact that economic laws can give only average results. Secondly, not only the economic data are innumerable but they are themselves changeable over a period of time. Since men change in their attitudes, tastes and disposition over a period of time, the task of predicting how

different men will react to a given change in circumstances on different occasions becomes extremely risky and precarious. Thirdly, there are many unknown factors in the situation. All the data cannot be known and prediction based on known data may be falsified or distorted by the influence of the unknown data. Economic laws may, however, be compared with the laws of tides rather than the simple and exact law of gravitation. The laws of tides explain how there is a rise and fall of tides twice a day under the influence of the sun and the moon, how there are strong tides at new and full moon, etc. In human activities, too, there are many unforeseen circumstances, as a result of which the expected course of action may not happen in the regular way.

"Economic laws," writes Seligman, in his *Principles of Economics* "are essentially hypothetical." "All economic laws contain the following qualifying clause "other things being equal," i.e. we assume that from a given set of facts, certain conclusions will follow, if no other change takes place in the meantime. But other things are not always equal and, consequently, in Economics, definite conclusions cannot be predicted from a given set of facts. Economic laws are, therefore, described as hypothetical!—hypothetical because their truth and operation depend upon so many factors which are variable and imperfectly ascertainable.

But it does not follow that because an economic law is hypothetical, it is unreal or useless. The laws of all other sciences are also hypothetical. Every science assumes certain causes and draws certain generalisations from those causes, assuming that nothing changes in the meantime. Moreover, all economic laws are not essentially hypothetical. There are some economic laws which may be regarded as true as physical laws and there are others which are true like axioms as we find in the case of the law of Diminishing Returns. Economics, unlike other branches of the social sciences, has got a common measuring rod of human motives in the shape of money. As Marshall has observed, "Just as the chemist's fine balance has made chemistry much more exact than any other physical science, so also the economist's balance,—the money measuring rod of human motives,—rough and imperfect as it is, has made Economics much more exact than any other branch of the social sciences." Thus Economics, though much

less exact than the physical science, is much more exact than the other social sciences. Economics does not, generally speaking, give us a body of settled conclusions and doctrines. It imparts instead an apparatus of the mind, a technique of thinking, an outlook and an approach. Training in economic theory and economic analysis enables us to understand better concrete economic problems and thus equips us for finding a scientific solution of our problems. With this brief analysis of economic laws we may proceed to explain the basic concepts of Islamic laws and their ability for evolution to face the present-day conflicting problems.

3. On the Dynamics of Islamic Laws

The uniqueness of Islamic laws lies in their comprehensiveness of principles, valid through ages in respect of the whole of mankind. The whole basis and sources of Islamic laws are a standing and perpetual miracle—miracle in the sense that Islamic laws may not only be compared with the laws of tides but also with the simple and exact law of gravitation. Because while Islamic laws have always been found to yield new truths and fresh guidance in every age and at every level, guidance has also been furnished to mankind through a series of fundamental and eternal revelations vouchsafed by Allah to the Prophet (be peace on him). It is at this stage necessary to go into the very basis and sources of Islamic Law to establish that it is a standing guidance for mankind for all times to come. We all know that sources of Islamic Law are basically four: (a) the Qur'ān, (b) the Sunnah and Ḥadīth, (c) Ijmā' and (d) Qiyās and Ijtihād, but I shall try to explain each of these sources of law from the standpoint as to whether they could expound and explain all that is or may be needed by mankind for the complete fulfilment of life.

(a) *The Holy Qur'ān*. The eternal and original source of Islamic Law is the Holy Qur'ān which is the very messages that Allah put in the mouth of the Prophet (be peace on him) for the guidance of mankind. These messages are universal, eternal and fundamental. But there are certain misconceptions among some Muslim and non-Muslim scholars regarding the true meaning of the Holy Qur'ān. The first misconception arises from the controversy whether the

Qur'ān is "created" or "uncreated". The Mu'tazilah school of thought along with some non-Muslim thinkers believed that the Qur'ān belonged to the created world and is not the eternal speech of God. They appear to have believed that the Holy Book was sent to the heart of the Prophet (be peace on him) from where it emerged from time to time in the language and style of the Prophet (be peace on him). Hence they held the view that the Qur'ān is "created". But on the authority of Shāh Walīullah and Iqbāl we can say that the Holy Qur'ān is "uncreated," an eternal message vouchsafed by Allah to the Prophet (be peace on him). Undoubtedly, the Divine revelation flowed through the Prophet's heart over a period approximately twenty-two years, but the words, the idioms and the style are generated with the ideas *without the conscious control* of the Prophet (be peace on him), the recipient of Revelation which is not the integral part of the "agent's mind". Herein lies the fundamental distinction between mysticism of the Qur'ānic Revelation and mystic inspiration of a philosopher, a poet and a scientist. Because, in the latter case, the organic relationship between feeling, ideas and words becomes complete with a life of its own ; though this creative process of a philosopher or a scientist lies, in a sense, beyond the ordinary reach of the recipient, yet this creative new knowledge is an integral part of the "agent's mind". In this sense, the Divine Revelation does not form part of the creative mind of the Prophet (be peace on him). Therefore, the Qur'ān is eternal. In his book *Islam*, Dr Fazlur Rahman, has also tried to establish the same. But his analysis gives us an ample scope for intellectual confusion. At one place, he observed : "... That is why, his [Prophet's] overall behaviour is regarded by the Muslims as Sunna or the 'perfect model'. But, with all this, there were moments when he, as it were, 'transcends himself' and his moral cognitive perception becomes so acute and so keen that *his consciousness becomes identical with the moral law itself*"¹ (italics ours). Again he says, "But if Muḥammad, in his Qur'ānic moments, became one with the moral law, he may not be absolutely identified either with God or even with a part of

1. *Islam*, Oxford University Press, Weidenfeld, 1966, p. 32.

2. *Ibid.*, p. 33.

observations are inconsistent in the sense that if Muḥammad (be peace on him) "became identified with the moral law" even in the "Qur'ānic moments," that moral laws or religious values are then the part of the agent's mind. But the Holy Qur'ān categorically forbids any attempt to associate (*sharik*) a creature with Allah and the Prophet (be peace on him) himself condemned any such move as the greatest sin. The fact is that the Holy Qur'ān is the universal record of the verbal revelation vouchsafed by Allah to Muḥammad (be peace on him) who was powerless to control the process of revelation consciously. Thus, the Holy Qur'ān is uncreated, it always yields, and will go on yielding, the needed guidance for mankind. This has been demonstrated through more than thirteen centuries, and that is a guarantee that it will continue to be demonstrated through the ages. In the words of Sir Muḥammad Zafarullah Khān, we can say, "The Quran has proclaimed that falsehood will never overtake it. All research into the past and every discovery and invention in the future will affirm its truth (41 : 43). The Quran speaks at every level ; it seeks to reach every type of understanding, through parables, similitudes, arguments, reasoning, the observation and study of the phenomena of nature, and the natural, moral and spiritual laws (18 : 55 ; 39 : 28 ; 59 : 22)."³

Secondly, some modern scholars are under the wrong impression that a great part of the Qur'ānic revelation is "causal," because their appearance is based on the then Arab society. The norms and values are, therefore, to be derived from the various Qur'ānic injunctions. Thus in his book *Mohammedan Theories of Finance*, N.P. Aghnides observed :

The revelations of the second period [in Medina], therefore, relate principally to questions of war and internal reorganisation such as spoils, Zakat, marriage, inheritance, usury, transgressions, etc. The general characteristic of these revelations is that they are *causal*, for they were revealed as the circumstances required, they were never meant to be, and they are, a well-rounded system of Law.

But the very term "causal" is objectionable, because this is against the spirit of "uncreated" or eternal nature of the Qur'ān.

3. *Islam, The Meaning for Modern Man*, p. 86.

If everybody starts thinking that the Qur'ānic revelations are generally "causal" in character, different people guided by multiplicity of motives and values would derive different sets of norms and values suited to their own requirements. This will have a damaging and disastrous effect on the whole aspect of universal revelations of the Holy Qur'ān. The fact is that the Qur'ānic Laws are to be enforced as they are. That does not mean that we are debarred from deriving norms and values by analogy in the problems for which we have no expressed or written solutions. (The revelations which were obviously based on the condition of Arab society then prevailing are symbolic ones.)

It is not also correct to assume that the Qur'ānic revelations were never meant to be a system of law. If by law we mean the present-day man-made system of law which is mostly one-sided and motivated mainly by consideration of exploitation in one way or other or apartheid policy or the like, then the Qur'ān does not clearly provide us a code of Law. It is, of course, true that the Qur'ān is not a legal code in the modern sense of the term. It is not a compendium of ethics either. (The Qur'ān, however, instead of mentioning the minutiae, talks of the basic principles and draws attention to various Divine Attributes, their operation and the manner in which mankind may derive benefit from the knowledge thereof.) In fact, all that is basic for the promotion of human welfare in all spheres, whether pertaining to principles or conduct, is set forth and compounded (xvi. 90). We are reminded: "O mankind, there has indeed come to you an exhortation from your Lord and a healing for whatever ills there are in the hearts, and a guidance and a mercy for those who believe" (x. 58). Within this framework, man is free to accept the truth on the basis of understanding (xii. 109). It is, therefore, not correct to assume that belief in Divine Revelation of fourteen centuries ago would tend to intellectual rigidity, rather it will stimulate the intellect and open all manner of avenues for the expansion of knowledge. The constant and repeated exhortation to reflect upon and ponder every type of natural phenomenon with which the Qur'ān abounds is an express urge in that direction.

The last, not the least, misconception about the Qur'ān arises from the incorrect presumption of N.J. Coulson who made the

following remark: "The primary purpose of the Quran is to regulate not the relationship of man with his fellows but his relationship with his creator."⁴ This observation is simply a half truth and betrays his sad ignorance of the spirit of the Qur'ānic Law which is intended to bring an equilibrium between spiritual and material requirements of life. The verses revealed in Mecca, especially the oldest of them, all enjoin upon the Meccans belief in the resurrection, the last day of judgment and the final reward or punishment for human acts in the world to come. We have already noted that the revelations of the second period relate to the law of inheritance, rulings for marriage and divorce, question of war and peace, punishments for theft, adultery and homicide, etc. Thus we see that the Qur'ān expounds not only the significance of establishing and maintaining communion with God but also explains all that may be needed for the complete fulfilment of social life. In fact, "the Qur'ān emerges as a document that from the first to the last seeks to emphasize all those moral tensions that are necessary for creative human actions. Indeed, at bottom the centre of the Qur'ān's interest is man and his betterment. For this it is essential that men operate within the framework of certain tensions which, indeed, have been created by God in him. First and foremost, man may not jump to the suicidal conclusion that he can make and unmake moral law according to his 'heart's desire' from the obvious fact that this law is *for him*. Hence the absolute supremacy and the majesty of God are most strikingly emphasized by the Qur'ān." The Prophet was, to all intents and purposes, sent primarily to exemplify the teachings of the Qur'ān and present to the world a model of ideal practical life. The Sunnah, by its very nature, therefore, never goes against the Qur'ān, nor does the Qur'ān go against the Sunnah, the second important source of the Islamic Law.

(a) *Sunnah*. In the context of Islamic laws, the Sunnah which literally means "way, custom, habit of life" refers to the exemplary conduct of the Prophet largely based on the normative practice of the early community. The concept of Sunnah came perforce to have the meaning of the living tradition in each succeeding generation.

4. *A History of Islamic Law*, Edinburgh, 1964, p. 12.

If everybody starts thinking that the Qur'ānic revelations are generally "causal" in character, different people guided by multiplicity of motives and values would derive different sets of norms and values suited to their own requirements. This will have a damaging and disastrous effect on the whole aspect of universal revelations of the Holy Qur'ān. The fact is that the Qur'ānic Laws are to be enforced as they are. That does not mean that we are debarred from deriving norms and values by analogy in the problems for which we have no expressed or written solutions. (The revelations which were obviously based on the condition of Arab society then prevailing are symbolic ones.)

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Some jurists are of opinion that both the Sunnah and the Ḥadīth were coeval and consubstantial in the earliest phase after the Prophet (be peace on him) from whom they drew their normativity. But a Sunnah is to be distinguished from a Ḥadīth, which is a narrative, usually very short, purporting to give information about what the Prophet (be peace on him) said, did, approved or disapproved, or of similar information about his Companions. Therefore, the Ḥadīth is something theoretical in nature, whereas the Sunnah is the same very report when it acquires a normative quality and becomes a practical principle for the Muslim. "Whereas Sunnah was largely and primarily a practical phenomenon, geared as it was to behaviorial norms, Ḥadīth becomes the vehicle not only of legal norms but of religious beliefs and principles as well."

The answer to the question as to why the Sunnah is a source of law lies in the Holy Qur'ān, which enjoins upon the Muslim to follow the conduct of the Prophet (be peace on him). The Qur'ān asks the Prophet (be peace on him) to decide the problems of the Muslims according to Revelations (v. 48-49). Again, the Prophet (be peace on him) has been declared to be the interpreter of the Qur'ānic text (xiv. 16, 44). The Qur'ān, for instance, mentions Ṣalāt and Zakāt, but does not lay down their details. It is the Prophet who explained them to his followers in a practical form. Moreover, the Qur'ān directs the Muslims to follow exemplary conduct of the Prophet. Therefore, the Sunnah became a definite source of Islamic Law. In an effort to give Sunnah a very predominant position as a source of law there is a theory that the Sunnah which is a supplement to the Qur'ān can supersede the Qur'ān in case of its contradiction. We are not prepared to accept this contention simply because of shifting of the centre of gravity from the Qur'ān to the Sunnah.

At this stage it seems necessary to explain why the Sunnah is dynamic and capable of handling the present-day problems arising from the complexity of life. In a living community, new moral tensions, various legal and administrative complications are bound to arise. In fact, many a serious controversy arose in the theological and moral sphere of the expanding Islamic society. But the concept of the ideal Sunnah was retained;

new material was thought out and assimilated, because the process of interpretation began both tacitly and explicitly with the Companions themselves and various practical norms were deduced keeping in view the basic rulings of the Holy Qur'ān. Dr F. Rahman has rightly mentioned that "after the period of the Companions (and in some cases of the following generation of the 'Successors') the Sunna could not be deduced from the actual practice but only from the expressly transmitted Ḥadīth. But it is most significant and remarkable that deductions by interpretation from a Ḥadīth in *any* period were called Sunnas. Thus Abū Dā'ūd (d. 275/888) after relating a Ḥadīth remarks, 'There are five Sunnas in this Ḥadīth,' i.e. five points with the character of practical norms can be deduced from this Ḥadīth."⁵

Now is the time to interpret the Ḥadīth not merely in literal form but also in its spirit. The interpretation of the Ḥadīth and the Sunnah must take into account their correct historical perspective and functional significance in historical context. Because in a rapidly expanding society interpretation of the Holy Qur'ān and the Sunnah must serve as a guide for intelligent moral understanding and implementation, not for a mere rigid formalism.

In fact, through individual interpretation of the law and the dogma, the content of the Sunnah created a wealth of material which, although it was generally uniform in its essentials, except for certain extreme doctrines of the Khārijites and other sects, conflicted in its details on most points. This material was, in the next step, brought under the concepts of the "agreed practice" and the consensus, which is called "Ijmā'".

(c) *Ijmā'*. Ijmā'—the third source of Islamic law—is the consensus either of the community or of the doctors of religion. The conceptual difference between Sunnah and Ijmā' lies in the fact that while Sunnah is restricted mainly to the teachings of the Prophet and is extended to the Companions inasmuch as they are the source for its transmission, the Ijmā' which is a principle of new legal content that emerges as a result of exercising reason and logic in the face of a rapidly expanding society, such as the early Islamic one, begins with the Companions and extended to subsequent generations.

5. Op. cit., p. 57.

We find the justification of Ijmā' as a dynamic source of law both in the Holy Qur'ān and the Sunnah. The Qur'ān says : "It is this that We have made of you a nation of the right mean" (ii. 137). The Prophet is also reported to have said : "My people shall never agree on an error." The fact is that Ijmā' is intended "not only for discerning the right at present and in the future, but also for establishing the past": it was Ijmā' that determined what the Sunnah of the Prophet had been and indeed what the right interpretation of the Qur'ān was. In the final analysis both the Qur'ān and the Sunnah were authenticated through the Ijmā'.

Therefore, it appears that Ijmā' is the most powerful factor in solving the complex belief and practice of the Muslims. At a given period of time it has supreme functional validity and power. If its verdict is final, it is final only in a relative sense. Because Ijmā' has the potentialities of assimilation, modification and rejection as per requirements of the modern life. Herein lies its dynamism in Islamic Law. N.P. Aghnides has rightly mentioned that "the significance of ijma' in the Mohammedan law can hardly be overestimated. By its means, not only is controversy on many points forever done away with, but also, when new situations have been met by analogy or otherwise, the Muslims may be assured that they are not getting away from the old basis and drifting into heresy. Notwithstanding the unifying influence of ijma, there remained indeed always a certain residuum of divergence of opinion on some minor question on which no consensus could be attained, but this was construed by the canonists to be an indication of God's grace to His people, for there is an ijma on this very point too, namely, that such divergence is not to be depreciated, because it is a sign of God's grace. This ijma is based on the hadith in which the Prophet said : The difference of opinion in my Community is an indication of grace from God's Part."

It follows that there are points which have been universally accepted and agreed upon by the entire community. This sort of Ijmā' which is obligatory in nature is known as the Ijmā' of the community. On the other hand, there are certain rules which are agreed upon by the learned of a particular region, and not by the entire community. This is known as the Ijmā' of the learned

which may be used as a mechanism for creating a sort of integration among the divergent opinions which arose as a result of the individual legal activity of jurists.

Some doctors are of opinion that it is impossible to ascertain the existence of Ijmā' simply because of difficulty of ascertaining the consensus of opinion of the community. If it is possible to form public opinion in a huge democracy like U.K., U.S.A., India, etc., I find no reason why it would not be possible to ascertain the existence of Ijmā'. For having Ijmā', we need not press for authoritative justification. If we do so, there would be no longer any use for the Ijmā' as an independent source of law. But the authority or evidence for the opinions which make up an Ijmā' be a probable evidence such as Qiyās ; or it may be an "individual" report or it may be a positive evidence, such as a verse of the Qur'ān or a Sunnah. It appears that Ijmā' which sets aside the stray opinion circulating in each locality is a dynamic force of a living community. A Muslim community which wants to keep pace with the modern world must give due importance to Ijmā' as a source of Islamic Law and jurisprudence. Because it helps us to derive a set of principles or a code of conduct exercising Ijtihād, the last not the least basis of Fiqh.

(d) *Ijtihād*. Technically, Ijtihād means "putting forth every effort in order to determine with a degree of probability a question of the Sharī'ah". The legal effect of it is that the opinion rendered is probably right, though there is the possibility of error. Obviously, the fundamentals of religion of Islam like Oneness of Allah, the sending of Prophets, etc., cannot properly constitute a subject of Ijtihād. According to al-Māwardī, the scope of Ijtihād after the Prophet's death includes eight separate heads. Seven of these consist in the interpretation of the revealed texts, by some method such as analogy, and the eighth is the derivation of a meaning from other than the revealed texts, e.g. by reasoning. It follows that Ijtihād believes partly in the process of interpretation and reinterpretation and partly in analogical deductions by reasoning. With the march of human civilisation our life is, on the one hand, becoming complex day by day and new social and moral problems that emerge in the society from time to time require solution. On the other hand, the mental and intellectual

horizon is also widening with the advance of human knowledge. The result is that Islamic Law developed with the emergence of new problems since the days of the Prophet and was created and recreated, interpreted and reinterpreted in accordance with the changing circumstances. Therefore, the Mu'tazilites' view that Ijtihād is always right can hardly be accepted. Since Ijtihād mainly deals with a question of the Shari'ah that emerges in society from time to time, its ruling cannot be the same for all times to come. With the passage of time the concept of social requirements of life is, other things being equal, bound to change. Therefore, the process of rethinking and reinterpreting must be allowed to go undisturbed keeping in view the basic injunctions of the Holy Qur'an and the Sunnah.

In the early centuries of Islam, *rā'y* (personal opinion) was the basic instrument of Ijtihād. But when the principles of law were systematically laid down it was replaced by Qiyās. The Qur'an and the Sunnah, no doubt, provide us with the legal rules with regard to the individual and social life of the Muslims. But human life, living dynamics, requires laws that ought to change with the changing circumstances. Hence the necessity of Ijtihād. However, the famous controversy between the Hadith-folk and the *rā'y*-folk is one of the most unfortunate phases of struggle in the process of evolution of Islamic Law. In this connection let me quote P. Aghnides who has correctly observed :

The jurists of Medina and Mecca, living in the cities in which Islam had its origins and early development and which were saturated with hadith associations laid emphasis on the preservation and the study of the hadiths and in deciding legal questions they referred to them or their standard. This they could easily do, because the cultural and legal conditions under which those hadiths had been uttered by the Prophet still remained practically the same and so the hadiths and local customs would be sufficient to decide the legal question that might arise, without resorting much to the use of analogy. But it cannot be said that this was true of the jurists of the Conquered Countries outside of Arabia, especially of Iraq. In Iraq the conditions were different and the jurists who lived there, being away from the home of the Hadith lore and facing new situations, from the very first used and had to use personal opinion (*rā'y*) much more extensively. They are, therefore, called *rā'y* folk in distinction from the jurists of Hijaz who were known as hadith folk.

It is no surprise that this controversy was largely a matter of quibbling over words, both sides made free use of personal opinion although Qiyās has ultimately been admitted into most of the schools.

We have evidence to prove that the majority of the jurists and theologians considered Qiyās lawful not only in intellectual matters but also in Shari'ah matters. We also share the same view, "although the Shī'ites and the Khārijites allowed the use of Qiyās only in Shari'ah matters ; and that the Hanbalites sanctioned its use only as regards applications of 'Fiqh' in view of the need, for cases concerning which the Qur'an is silent but denied its lawfulness as regards the determination of intellectual matter."

The role of the Qiyās is to extend the law of the text to such cases as do not fall within the purview of its terms by reason of an "effective" cause which is common to both cases and cannot be understood from the expression (concerning the original case). According to the jurists, the extension of law by analogy does not establish a new rule of law, but merely helps us to discover the law. For instance, if a certain act has been prohibited in the Qur'an and the Sunnah, other acts common with that act in regard to the "effective" cause (*'illah*) for which the prohibition has been decreed are likewise prohibited. "It is necessary, however, that the acts to which the value is extended, should not be included in the meaning of the prohibitory expression, explicitly or implicitly, for in that case they would be prohibited by virtue of the prohibitory expression itself and not by virtue of Qiyās thereon."

The effective cause of a law may be the quality of a thing inseparable or accidental, manifest or hidden, a generic name or a rule of law. An effective cause may sometimes be determined by the consensus of scholars' opinion. The case in which the Prophet (be peace on him) treated an obligation to perform pilgrimage as a debt is an example of an effective cause suggested by the fact of its being laid down in answer to a question.

The period of 'Umar's Caliphate abounds in instances which explain the dynamism of the Islamic Law. His introduction of certain changes in the details of collection of Zakāt, his refusal to

distribute the conquered land among the soldiers—a practice which was current during the lifetime of the Prophet (be peace on him) and during the Caliphate of Abū Bakr, and a host of other measures are indicative of the fact that while exercising Ijtihād, one should keep in mind the change of conditions and circumstances. This is the most important factor for legislation by means of Ijtihād.

During the medieval period it was said that the door of Ijtihād was closed and one should follow the established school of law. Because the trend of "taqlīd" which means the servile acceptance of another opinion without evidence dominated the people and they began to follow some jurists or some school of Law. This is partly due to the fact that the founders of the schools were men of great ability and thoroughness who had practically exhausted the various logical alternatives within the limitations set by the revealed texts. It is true that the common man who has no ability to derive the rule directly from the Qur'ān and the Sunnah has to follow some school of Law. This does not mean that the door of Ijtihād has been closed. The process of Ijtihād requires that priority should be given to each of the roots of Law according to their status. In solving a question of the Shari'ah, the Mujtahid (i.e. a person exercising Ijtihād) must consult the Qur'ān and the Sunnah in the first instance. If the answer is not available there, then and then only one can have recourse to Ijmā' (consensus) of the community and, finally, he should exercise Ijtihād. It is also remarkable that right decisions are not necessary in Ijtihād. If one makes an effort to seek the truth, but does not reach the right conclusion, one will get the reward. According to the Tradition of the Prophet, while exercising Ijtihād a man who commits an error will get a single reward but a man who arrives at the truth will get double the reward. This Tradition keeps the door of Ijtihād open for all times to come. The only condition is that, while exercising Ijtihād, one should be well equipped with the knowledge of the injunctions of the Qur'ān and the Sunnah, its ethical discipline and prescribed duties.

(e) *Conclusion.* Taken all in all, we can now conclude that in the dynamics of Islamic Law, the Qur'ān has its own identity, but Sunnah, Ijmā' and Ijtihād stand in a very intimate relationship

to one another. The Sunnah and Ijmā' especially, although distinct, pass into one another. The bridge, the inalienable link, is the Ijtihād or Qiyās. This principle of systematic thinking, which not only interpreted the Sunnah of the Prophet (be peace on him) into law but also integrated the new social and administrative institutions and practices with the Sunnah into "living tradition". Again, the Ijtihād, through the eternal process of compromise, adjustment and rejection, gradually crystallised into Ijmā' which exerts a tremendous influence in solving the conflicting requirements of material and spiritual life.

Needless to mention that "Islam is living through a crucial moment in which the heritage of the past must become the herald of its future. The present, to be meaningful, must emerge out of the accumulations of the past. The emphasis is merely on accents. The slow dynamics of the past must give way to the swift acceleration of the modern stresses, but the basic principles and the beaconlights would remain the same as truth is one and indivisible." Thus the Islamic principles of goodness and truth, justice and equity, fairness and righteousness are so dynamic and eternal in nature that they are quite capable of handling various conflicting problems of modern life including socio-economic problems arising out of the complexity of present-day civilisation.

Chapter III

ISLAM AND OTHER ECONOMIC SYSTEMS

1. Introduction
2. Capitalism
3. Socialism
4. Communism
5. Fascism
6. Islam and Other "Isms" : A Comparative Analysis

His is the sovereignty of the heavens and the earth, and unto Allah (all) things are brought back.

He causeth the night to pass into the day, and He causeth the day to pass into the night, and He is knower of all that is in the breasts.

Believe in Allah and His Messenger, and spend of that whereof it hath made you trustees : and such of you as believe and spend (aright), theirs will be a great reward.

—*al-Qur'ān*, lvii, 5-7

All men are equal in their human rights.

—*Prophet Muḥammad* (be peace on him)

1. Introduction

The history of human civilisation has witnessed the rise and fall of many systems. A programme for the improvement of society cannot ignore fundamental institutions and the broad plan of organisation which underlies our economic system as a whole. Several comprehensive plans of social organisation have been proposed for such a foundation from time immemorial. These are Anarchism, Feudalism, Capitalism, Socialism, Communism, Fascism and Islamism. Each presents a different scheme of social organisation.

In comparison of economic systems, we are much interested in comparing performances. It is, therefore, impossible to reach an objectively valid conclusion, if by "objective" we mean a judgment that supporters of all economic systems can be logically forced to accept. But our comparison of performances can achieve only two things : it can point out where each system excels the other in meeting certain goals, and it may suggest the extent to which one purpose is sacrificed for another. Since the whole analysis is subjective, we need not be surprised to find that those whose goals are different or who give different weight to the same goals refuse to accept our point of view.

2. Capitalism

The concept of Capitalism may be traced primarily to the writings of socialist theoreticians. The works of Sombart are the first in which the concept of Capitalism has been definitely recognised as fundamental to the system of economic thought. Here it is demonstrated that Capitalism designates an economic system significantly characterised by the predominance of "Capital". Like any other economic system, Capitalism also contains certain constituent elements which are the economic spirit or outlook—the sum total of the purposes, motives and principles. These motives and principles are dominated by three ideas : acquisition, competition and rationality.

The purpose of economic activity under Capitalism is acquisition in terms of money. The idea of increasing the sum of money on hand is the exact opposite of the idea of earning a livelihood

which dominated all pre-capitalistic systems, particularly, the feudal handicraft economy. While acquisition constitutes the purpose of economic activity, the attitudes displayed in the process of acquisition form the content of the idea of competition. These attitudes, which are logically inherent in acquisition, may be described as freedom of acquisition from the outside.

By reason of its freedom from regulation, Capitalism rests essentially on the individual's assertion of his natural power. Economic activity is, therefore, closely associated with personal risk, but the economic agent is free to strive for economic success in any way he chooses provided he does not violate the penal code.

When the direction of economic affairs is oriented solely upon acquisition, it is inevitable that those modes of economic behaviour should be adopted which seem most rational, most systematic and best adapted to the purpose in hand. Economic rationality is, thus, the third dominating idea of the capitalistic system.

In fact, Capitalism, as we find it today, has come to signify a religion of money or Dollar Dictatorship. Thus H.G. Wells says, "Capitalism is something none of us know how to define it, but we called it generally the Capitalist System—a complex of traditional usage, uncontrolled acquisitive energy and perverted opportunities, wasting life." Let us now switch over to some of the salient features of Capitalism.

Absence of Planning. Absence of a Central Economic Plan is one of the salient features of Capitalism. The economies of the capitalist countries rest, in the main, on the independent (but interdependent) individual actions of millions of private economies. These actions are not co-ordinated by a central plan. Market prices, on which the decisions and calculations and producing units are based, are, as a rule, not set by the Government; under competitive conditions they are the result of market forces. Absence of a central plan does not, of course, constitute a case of *laissez faire*. The Government ought to establish healthy monetary and credit conditions, to maintain an aggregate demand which is neither too large nor too small, and to see to it that monopolistic powers are kept in check.

Consumers' Sovereignty. Absence of a Central Economic Plan implies consumers' sovereignty in the Capitalist Economy. The

very existence of centralised power endangers consumers' sovereignty, because those who have the duty and the power to plan are invariably tempted to substitute their (supposedly superior) decisions for the wishes of the consumers. The socialists claim that consumers' sovereignty has little meaning in Capitalism, owing to the unequal income distribution. Thus if a defender of Capitalism speaks of the dollar ballots which guide production, the socialist will answer that, considering the much larger number of votes the rich can cast, Capitalism cannot be considered a true consumers' democracy.

Free Choice of Occupation. Freedom of choice of occupation is always considered one of the most important features of Capitalism. Thus free choice of occupation implies that, in order to attract a sufficient supply of a special kind of labour to an industry, where this labour is more urgently needed than elsewhere, wages must be high enough to exert the needed enticement. Free choice of occupation is, therefore, incompatible with equal income distribution. Wage differentials and unequal income distribution have a tendency to perpetuate themselves to some degree. We must emphasise that free choice of occupation does not imply a right to work. Free occupational choice may mean little in an economy suffering from prolonged mass unemployment. Karl Marx suggested that the labourer in the capitalist system is "free in the double sense, that as a free man he can dispose of his labour-power as his own commodity and that, on the other hand, he has no other commodity for sale, is short of everything necessary for the realisation of his labour power". In fact, there is little chance that under a system of individual labour contracts the wage will be at the level of the perfectly competitive market; usually, unionisation of labour will be needed to bring the wage up to the level that corresponds to perfect competition. Although a labour union is formed by collusion of sellers of labour and, therefore, has the outward marks of a monopoly, it is not certain that the union will achieve a monopoly price; there may be a case of countervailing power, which just restores the balance of the market. But there is no assurance either that this will be the situation. Marx, however, pointed out that, once the worker had sold his labour power, he was no longer free during the labour day but under the command of his capitalist employer. But a change-over

from a market economy to a centrally planned economy would not alter the dependent status of most workers and that it may still be better to work for a private firm (whose domination one may escape) than for the all-powerful State.

Free Enterprise. Free enterprise is another feature of Capitalism. This freedom of private enterprise necessitates private ownership of the material means of production. Without these property rights it would be next to impossible to have an unplanned economy, which implies freedom of individual initiative. Where the Government does not co-ordinate the productive efforts of the citizens, such co-ordination must be the result of the activities of private enterprise. Thus we see that the institution of private property is regarded as part of the system of Capitalism, for liberty is construed as implying freedom to acquire property by production, occupation, or exchange, and to dispose it of as one likes—as long as it is not wrested by force from someone else. Carver in his *Principles of National Economy* (1921, p. 140) said, "Property exists automatically and necessarily in any group where the individual is safeguarded against violence. If he is safeguarded against violence, he may hold anything in his possession until he sees it fit to give it up of his own free will. If anyone who tries to dispossess him by violence is promptly repressed by the group, that very act on the part of the group safeguards him in his possession—it transforms his possession into property." Some have held that liberty involves the right to property, because property is necessary to the maintenance of personal independence. But this would require that everyone should own some wealth—a condition that is not realised under a system of liberty and free enterprise. Rather we see that men like Rockefeller and poor men like us are living side by side as master and servant. It would lead to a criticism of the institution of property as it now exists. The capitalists' defence of private property and free enterprise cannot be accepted without qualification. When private property could no longer be justified as a natural right or as the product of the labour of its possessor, its position becomes very vulnerable. If its validity rests upon its social usefulness, the right can be restricted and ought to be in every case where no social welfare is promoted by it. The desirability of some private ownership as a general principle is not denied, but it cannot be regarded as an

inviolable right.

The Freedom to Save and Invest. In Capitalism the right to save is supported and enhanced by the right to bequeath wealth. The right to bequeath (or to inherit) cannot be granted too readily in the economic systems which aim at Government ownership of the material means of production. The freedom to save, to inherit, and to accumulate wealth is, therefore, a right which is even more peculiar for Capitalism than is the free choice of consumption and of occupation. The freedom to invest is implied in the unplanned character of the capitalist economy. In a capitalist economy entrepreneurs who wish to take advantage of investment opportunities are bidding for temporary use of the funds which individual savers have accumulated, offering to pay interest from the yield of their investments. In this way, a market rate of interest is established. Aside from its significance for individual savers and individual borrowers, it, according to capitalists, satisfies the social need for a barrier to protect resources for the satisfaction of present consumption from being depleted for the sake of the future. But a discrepancy between saving and investment is possible in an unplanned economy. It is possible because of the freedom to consume, to save, and to invest, and because of the fact that those who save are, as a rule, a different group from those who invest. True, the market is supposed to bring saving and investment into balance, but under certain circumstances it may fail to do so. Then it is the task of the Government to see to it that a sufficient amount of spending is maintained.

Competition and Monopoly. The model of the capitalistic economy is a competitive model; it had to be, because a sufficient amount of competition is indispensable if the whole production and distribution process is to be regulated by market forces. Capitalism is based on the belief that competition is necessary in a capitalist economy to keep initiative constantly on the alert, to protect the consumer against exploitation, and to maintain a sufficiently flexible price system. Capitalism further claims that competition leads to a process of natural selection, by which each individual will find his level in that position which he is best able to fill. Those who are capable of leadership and executive organisation will become successful enterprisers, where they will be in the best

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position to exercise these qualities. The inefficient business men will be weeded out by the simple process of failure. Those who are best fitted for employment under the direction of somebody else will naturally become wage-earners. Employers compete with each other to secure the most efficient workers, so that each labourer will find that place in industry where he can contribute service of the greatest value. The relative wages paid in different employments will induce each labourer to do the highest type of work of which he is capable. Unfortunately, these arguments have been effectively disproved by the facts of history. Competition, when unrestricted by regulatory laws, does not protect the consumer from deception or extortion, the investor from swindling, nor the high-minded business man from the unfair methods of his unscrupulous rivals. These things can be attained only by collective control.

One might suppose that such collective control need not be contrary to the principles of Capitalism, for capitalists themselves suggest Government interference as necessary to maintain free and fair competition. Under modern conditions, however, the measures necessary to achieve these ends involve such extensive regulating bodies that they are hardly compatible with the principles of free enterprise of Capitalism. There are three reasons why competition fails to regulate business satisfactorily. In the first place, unscrupulous business men lack the ethical standards essential to fair competition. In the second place, free competition is not necessarily equal competition. Obviously, he who has capital to begin with is in a better position than he who has not. In other words, competition bestows its prizes upon the strong and lucky at the expense of the weak and unlucky. This destroys the connection between reward and service which is assumed to exist by the capitalist. The inventor may live in poverty, while some capitalist enterpriser reaps a fortune from the marketing of his contrivance. In view of these things, it is by no means certain that competition selects those who are really most fit to contribute to social welfare. In the third place, competition is so distasteful to the competitors that, sooner or later, they seek to escape it by establishing a monopoly. Monopolistic tendencies are an intrinsic feature of the Capitalist Economy.

Some Attacks on Capitalism. The objective standards for the

evaluation of a socio-economic system are impossible to find. Nevertheless, the attacks on Capitalism in the words of Professor Halm are essentially four :

(1) The oldest attack aims at the unequal distribution of wealth and income and the fact is that such inequality leads to inequality in economic and political power as well.

(2) Capitalism is often considered less productive than collectivist systems which can consciously plan for development. In particular, it is argued that profitability is not identical with productivity and that competition is often excessive.

(3) At the same time, Capitalism is, in the opinion of many observers, not competitive enough. The profit motive and the competitive struggle, together with modern technology, lead to monopolistic tendencies which seem to violate the very philosophy of Capitalism. In this criticism socialists and the proponents of the free market economy join their forces, though they disagree on the proper remedies.

(4) Capitalism does not always maintain a high level of employment. In a depression, productive resources are wasted and the national income is kept below a potential maximum. Apart from this loss in productivity, prolonged mass unemployment is one of the most dangerous social diseases to which an economic system can be exposed. Professor Laski, a noted British political scientist, observed :

The present system of capitalistic production stands condemned from almost any angle of analysis. . . . It makes a part of the community parasite upon the rest, and it deprives most of the opportunity to live on a human plane of existence.

But in his book *Economic Systems* Professor Halm concluded by saying : "We must be particularly careful when capitalism's deficiencies are to be corrected at the price of the freedoms which are the most characteristic feature of the market economy. We ought not to forget that capitalism has proved its compatibility with political democracy, whereas all centrally planned systems, so far, have been totalitarian. Will it be possible to maintain economic and political freedom when we aim for goals which capitalism admittedly cannot reach ?"

3. Socialism

Socialism, as defined in the *Encyclopaedia Britannica*, is that policy or theory which aims at securing by the action of the central democratic authority a better distribution and, in due subordination thereto, a better production of wealth than now prevails. According to Joad, the various measures which Socialism recommends for the socialisation of community life, are :

- (i) The abolition of the private ownership of the means of production. This would be substituted by public ownership and control of the major industries and services.
- (ii) The nature and extent of industry and production to be subservient to social needs and not the profit motive.
- (iii) In Capitalism the motive force is private profit. This will be replaced by the motive of social service.

Presence of Planning. We have seen that the economies of capitalist countries rest in the main on the independent individual actions of millions of private economies. But under Socialism the decision as to what and how much to produce will no longer be decided by considerations of profit. These decisions will be reached on the basis of the usefulness of such things to the society. In the place of a blind working of the productive forces there will be central planning of the economic life of the country. The various branches of production will be developed harmoniously by a Central Planning Authority to serve the best interests of the society as a whole. As the Central Planning Authority has a greater knowledge about the supply and demand positions than a number of isolated entrepreneurs, the socialists believe that they can reach correct equilibrium prices more quickly than the latter. Again, under Capitalism, the system of production is anarchic, and a periodic crisis is bound to occur. But taking a long-range view-point, the socialistic economy can control the functions of the trade cycles much better than the present order through Central Planning. It will also tend to reduce those risks and uncertainties which exist in the present society owing to unbridled competition. It would avoid the wastes of the competitive system. They argue that the decision of the Central Planning Authority is bound to be arbitrary, and the economy may suffer from a wrong rate of

capital accumulation in the long run. It is, however, true that a rate of interest as determined under a capitalist economy on the basis of the consumers' preferences for liquidity may not always prove superior, from the strict economic standpoint, to one determined by the Planning Authority. Moreover, the socialists argue that they do not necessarily propose to do away with pecuniary incentives entirely. Most socialists expect wages to vary with the productivity of the worker, so that there would be wage differentials to stimulate the people to develop skills and to exert themselves diligently. In the second place, socialists are more optimistic regarding human nature than those who urge this criticism against their programme. They believe also that, under Socialism, a better spirit of co-operation and service will prevail ; that with competition removed, new standards of morality and ethics will take their place. Only a trial of Socialism would enable us to reach a satisfactory conclusion on this point.

Income Distribution. We have seen that the capitalist distribution of wealth and income is quite unequal and that the possibilities for greater equality within the institutional framework of Capitalism are limited. Private property in the material means of production, the connection of personal with functional distribution, private capital accumulation, and the importance of the profit motive—all these features make more equal personal distribution difficult and, in most instances, capable of doing more harm than good. The socialists claim that their system will establish a more equal income distribution. This claim is based on the fact that public ownership of the material means of production eliminates the so-called unearned income of private persons. Interest, rent, and profit go to the Government.

H.D. Dickinson points out that in a socialist system there is no essential connection between the value of labour and the payment of a sum of money to a labourer. In other words, wages might be used for accounting purposes only, while the national income would actually be divided up according to such principles as perfect equality or payment according to need. Dickinson's remark refers, however, to authoritarian rather than to liberal Socialism. Free choice of occupation under Capitalism makes it imperative that wage difference be used to guide workers into

industries where their particular skills can be most productively used. Socialism does not believe in the principle of free choice of occupation. In Socialism wage differences are, therefore, used for more than accounting purposes; they are essential if labour is to be allocated without compulsion to the production of commodities which consumers demand. Oskar Lange believes that these wage differentials would be negligible in view of the fact that the choice of an occupation offering a lower income, but also a smaller disutility, may be interpreted as the purchase of leisure, safety, agreeableness of work, etc., at a price equal to the difference between money earned in that particular occupation and in others. Probably a majority of socialists, however, favour a system of wages determined by the efficiency, or productivity, of the worker. This is a frank recognition that an individual who is more able or willing to work than his fellows should be paid higher remuneration accordingly. This would permit some degree of inequality to exist. But abolishing incomes from property and permitting only wages, they believe that such inequality of earnings as would be based upon differences in ability would be fair, and at the same time would stimulate each to his maximum endeavour. While perhaps ethically not as ideal as payment in accordance with need, this basis of wages is more expedient.

Public Enterprise. Under Socialism, industry, instead of being in the hands of individual enterprisers, would be controlled through some kind of common organisation. Just what the organisation would be is a matter of detail on which different socialistic groups are not entirely agreed. Whatever the arrangement, its distinctive feature would be the absence of capitalistic proprietors, the ownership being vested, by one means or another, in the masses of the people.

This collective ownership, however, does not apply to all property which is now privately owned. It applies only to the basic (or, as some socialists put it, the "socially necessary") means of production. These include all large landholdings, forests and mineral deposits, railroads and other public utilities, and the more important manufactures. It is only in those industries upon which the public is peculiarly dependent, and in which the danger of exploitation of the working class by huge capitalists is most present, that the socialists insist upon the abolition of pri-

vate enterprise. The socialists desire to see the control of industry actually in the hands of the working class for which they advocated the idea of industrial democracy. Democratic control of industry would be made possible, they believe, by placing political power much more truly in the hands of the people than at present. The socialists generally believe that collective ownership can be established by means of the ballot, after the voters have been won over to the idea by educational and propaganda activities of a well-organised socialist party. In its emphasis upon democracy, the socialists are diametrically opposed to the communists, whose regime in the Soviet Union is one of ruthless dictatorship.

Competition and Socialism. It is said that obstacle to productive efficiency under Socialism lies in the fact that without competition the principle of natural selection in industry would be destroyed. Under Socialism, every position in industry would be subject to the bickerings and baneful influence of political life. Collective enterprise, it is said, is notoriously wasteful and inefficient. Where it is not positively corrupt, it is deadened by bureaucracy and red-tape. The opponents of Socialism claim that, instead of increasing production and bringing about the ideal conditions expected by the socialists, it would actually result in colossal inefficiency and industrial stagnation. The socialists reply that competitive industry is much less efficient than its defenders believe. Influence and favouritism are by no means absent from private businesses. Some economists have argued that the problem of pricing under Socialism would present serious difficulties. Because Socialism would be bound to interfere with the natural economy inherent in the competitive price system as land rents and interest, which at present enter into costs, would be largely done away with, and wages, presumably, would be limited by maximum and minimum rates, instead of being left solely to the play of supply and demand. It is true that some socialists, dominated by Marx's mistaken labour theory of value, have visualised the collective economy as one in which prices would be based only on the quantities of labour required to produce various goods to the neglect of contribution of other factors. But a number of economists who have interested themselves in the theoretical aspects of this problem have in recent years reasoned that a socialistic economy

could use the principles of the present pricing process, and might even keep prices closer to their normals than they are under Capitalism. Because interest and rents would not go to private investors and landowners, but to the State, which could use the proceeds for various projects of social welfare, such as education, free medical care, scientific research, promotion of the arts, and so on. Thus the essential elements of competitive pricing process could be retained.

Oskar Lange mentions among the advantages of Socialism the comprehensiveness of the items entering into the price system. Following Pigou he shows that

... There is frequently a divergence between the private cost borne by an entrepreneur and the social cost of production. Into the cost account of the private entrepreneur only those items enter for which he has to pay a price, while such items as the maintenance of the unemployed created when he discharges workers, the provision for the victims of occupational diseases and industrial accidents, etc., do not enter, or as Professor J. M. Clark has shown, are diverted into social overhead costs. On the other side, there are the cases where private producers render services which are not included in the price of the product. ... A socialist economy would be able to put all the alternatives into its economic accounting. Thus it would evaluate all the services rendered by production and take into the cost accounts all the alternatives sacrificed; as a result it would also be able to convert its social overhead costs into prime costs. By so doing it would avoid much of the social waste connected with private enterprise.

Incentive and Socialism. By eliminating the large property incomes and reducing differences in wages the socialists believe that they would establish a far greater measure of equality of incomes than it now exists. No one would be very poor, and no one would be immensely rich. But one of the strongest criticisms which may be urged against a socialistic programme is that it would remove the incentive which is present under Capitalism.

Many socialists are, nevertheless, quite conscious of the problem of lacking incentives under bureaucratic management. Oskar Lange, for instance, asserts "that the real danger of socialism is that of a bureaucratization of economic life, and not the impossibility of coping with the problem of allocation of resources." But he makes this concession to the critics of Socialism only because he believes that the same, or even greater, danger cannot be

averted under monopolistic Capitalism. "Officials subject to democratic control seem preferable to private corporation executives who practically are responsible to nobody."

Moreover, we have already seen that the socialists do not necessarily propose to do away with pecuniary incentives entirely. They believe also that, under Socialism, a better spirit of co-operation and service will prevail.

Socialism and Family. There is a popular misconception that Socialism does not believe in family life. In fact, Socialism is primarily an economic and political, rather than a complete sociological, programme, and any changes which might take place in the family would be only such as would naturally follow from the changed economic status of the working classes; socialists believe that happy and normal family life is largely interfered with today by our economic institutions. Economic pressure, they assert, brings about the subjection of women, while poverty interferes with the maintenance of the home. Whatever individual socialists may think about the ideal form of family relationship there is nothing inherent in the socialist organisation of society which is incompatible with monogamy. Similarly, there is a similar popular misconception about the relation between Socialism and religion. It has frequently been alleged that socialists are atheists and that Socialism would destroy religious institutions. But there is nothing in Socialism, however, which is necessarily antagonistic to religion. Although it is true that socialists in some countries have grievances against the organised church, it is not fair to say that Socialism is anti-religious.

Conclusion. Socialism claims to reduce the wastes and eliminate depressions and unemployment through central planning of the economy as a whole. It also would hope to eliminate unearned incomes and reduce inequality while promoting the welfare of the masses. On the other hand, it would lose some of the forces of individual initiative, its efficiency might be impaired by the stagnation and regimentation of bureaucracy, and it would reduce somewhat the scope of man's liberties both as consumer and producer.

Some socialists believe in the comprehensive planning of industry, and in directing the economy toward certain goals of social welfare. If the plans are to be made effective, say the

critics, the central officials would have to have authority to put their plans into effect. Socialism would place great power, they think, in the hands of the Government officials. They fear that the latter will be intoxicated by this power, and will arrogate more and more authority to themselves. In this way, personal liberties will gradually diminish, and the regime would take on more and more the character of a dictatorship.

The socialists believe that these developments are hardly likely in a country where there is a long-established tradition of political democracy.

4. Communism

Concept of Communism. The term "Communism," which is derived from the Latin word "Communis," does not occur before 1840, although the concept it embraces is as old as civilisation itself. It was coined in the secret revolutionary societies of Paris between 1834 and 1839. Its general use is to describe the practice of or belief in the desirability of the social control of economic life, including the social ownership of property. It is distinguished in a technical sense from Socialism, in that it generally includes ownership of some or all forms of consumers' goods as well. In addition to this historical and general meaning of the term "Communism" came in the years 1840-72 to imply revolutionary action for the violent overthrow of the capitalist society.

"Underlying the general concept of communism are three basic doctrines. The first is that of the state of nature which in varying forms dominated the thought of antiquity and of the modern world from the Renaissance to the mid-nineteenth century. This doctrine is essentially utopian, rationalist and pacific. The second doctrine is Manichaeism, which considered human history as a ceaseless contest between two sovereign powers—good and evil, spirit and matter, light and darkness. The third doctrine is Marxism, or the economic theory concerning the rise and development of the productive forces of capitalist society, its inherent collectivist tendencies and antagonistic interests, with the class war as the human dynamic power of civilisation." Communism formed an integral part of the ancient myth of the golden age, the idealisation by the civilised man of the primitive,

"natural" tribal stage of human history. It was a reaction from the growing complications of ages of transition.

Modern Communism has become, instead of a myth or the subject of literary romance, a practical goal and programme in the form of Marxian Socialism agitated by international socialist groups and regarded by them as the inevitable next step in social development, to be brought about by a class whose self-interest drives it to such a type of economic and social organisation.

Philosophy of Communism. Communism is more extreme than Socialism. To understand how the communists went about their task, it is necessary to know something of their theory of social evolution. Marxian Communism believes in economic or materialistic interpretation of history, that is, economic event dominates in controlling the social and political life. Marx called the economic system of society substructure (*unterbau*) and religion, laws, ethics and other institutions of society as superstructure (*oberbau*). According to Marx, Socialism as the close analysis of any element of the superstructure would reveal the influence of the substructure as a determining factor. Religions and morals are concocted by dominant classes to fortify their own interests; therefore, all religion and ethics hitherto prevalent among mankind are suspect. The ideas of eternal truth and social justice have no place in reality; they were invented by the dominant classes to perpetuate their power. Marx's economic interpretation may briefly be summed up in five principles: the law of concentration, surplus value, the two-class struggle, the overproduction theory of depressions, and social revolution.

Marx saw the transition which had taken place from the domestic industry which preceded the Industrial Revolution to the large factories which followed it. This concentration of industry would go on until the small independent business men would be eliminated and forced to become employees of a few powerful capitalists. Thus society would be separated into two groups—the capitalists and the proletariat or wage-earning class.

Again, according to the doctrine to surplus value, all wealth is produced by labour. But the labourer is paid only enough to maintain him at a bare level of subsistence. Consequently, there is a surplus value created which the capitalist is able to take for himself. It is unearned by the capitalist because he did not pro-

duce it. Profits are, therefore, the result of exploitation. Marx's "Law of Concentration," coupled with his doctrine of surplus value, must lead to class war between the two groups. There can be no compromise, for the situation becomes progressively worse as society advances. Since the labourers who constitute the great mass of consumers are not given all the purchasing power which they produce, they are unable to buy back from the capitalists the extra wealth created by their additional production. The result will be general overproduction of goods. Industrial collapse follows. The capitalist system would destroy itself. When this catastrophe befalls, it is believed, a revolution will take place in which the proletariat, having become conscious of its own strength, will establish a new system of society in which the capitalists will be dispossessed of their property. There follows the stage known as dictatorship of the proletariat, that is, the intelligent minority—the Communist Party—must hold its power at any cost, and rule the country with an iron hand, until it has brought Socialism into being, and educate the people to its ideals.

When the people are thus made ready for it, the stage of dictatorship will give way to the socialistic society, which is regarded as the lower phase of Communism. In this stage, all the means of production will be in the hands of the democratically governed State. But there will be considerable centralisation of economic and political control. In short, this stage is simply one of State Socialism as it was described in the preceding pages.

Finally, the socialistic society will evolve into the communist society, which is the higher phase of Communism, the ultimate goal of the Communist Party. When this stage is reached, the coercive authority of the State will no longer be needed. The State will "wither away," for society will now be "classless". Then the communistic principle of "from each according to his ability, to each according to his need" will prevail. One of the powerful appeals of Communism is directed to the human desire of bettering the situation of the poor and the weak. It takes the shape of an appeal for the universal brotherhood of man. Communist eschatology promises betterment, brotherhood, and complete happiness for all individuals; man is not considered as an end. The end is quite clearly the whole, the society. It is true that the communists believe that even the individual man

will be happy once the goal is achieved. But they are not interested in him, for collectivity is the only truly real factor in the human world.

It may be noted here that modern Communism, which is exemplified by the Soviet Union, is very different from Utopian Communism, for it proposes to apply communistic principles on a national scale, achieving power for the Communist Party by violent revolution, if necessary.

Planning in Communism. Communism is a complete substitute for that allocation of economic resources which, in a capitalist system, is determined by prices and incomes and related in turn to consumers' sovereignty and where decisions are made by innumerable businessmen. It has practically involved the liquidation of private enterprise and of private property: under the Russian system of Communism there is not much room for the capitalist trinity—sovereignty of the consumer, the tyranny of the price system and the quest for profits. There the economic architects generally determine what use is to be made of limited resources and, therefore, to some extent impair the sovereignty of consumers. The targets for production are set according to an objective determined by the State, e.g. producing for war or raising the mass standard of living, and thus do not allow price and income movements to regulate the productive process; and since these goals are selected by the general strategy, acting for the party, the Government or the people, the planned economy supplants the entrepreneur, who is the human magnet in the capitalist machine.

Under Communism, consumption as well as production would be collectively controlled, and money, prices, wages, and free exchange would be abolished. The collective organisation would determine what was to be produced and in what quantities, distributing the product, through a system of rationing, where it was believed that it would do the most good. The communist formula is "from each according to his ability; to each according to his need".

Social and Educational Programme. Communism is more than an economic programme. It involves sweeping social reforms as well. It is interesting to note what the Soviet Government is doing

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in matters of this kind. The communistic theory of evolution requires an intelligent working class. Therefore, the communists have resolutely set about the upbuilding of a universal school system. Attention is also paid to art, music, drama, and other cultural needs. Religious marriages are not recognised, the only legal ceremony being a civil one. Family life is somewhat different from that to which we are accustomed. The home is not as important a factor in the lives of the people, partly because the housing situation has been so acute that families were very much crowded, and partly because the workers' life has been so filled with the new activities of clubs, political meetings, lectures, evening classes, theatres, concerts, etc. It is apparent that these features are going to make profound changes in the social life and institutions of the people. It is true that the communists have carried on an anti-religious propaganda. While there is complete religious toleration (so long as the church does not become a centre for anti-revolutionary activity), the communists do not approve of religious organisations. In a sense, Communism is itself a religion.

Appraisal of Communism. Communism is, both in its theory and in its practice, an incredible oversimplification leading to distortion of reality. This oversimplification appears first in communist eschatology. Despite the tremendous complexity of human nature and human desires, the communists teach that one simple method, collectivisation, will render man completely happy and satisfied. This they do either by completely disregarding some other human desires or by asserting that collectivisation will cause other desires (e.g. the religious) to dissolve.

Communism, for example, teaches that all problems of labour can be solved by the nationalisation of factories, or rather it seems to assert that only one such problem exists: private ownership of industry. This obviously contradicts everything we know about modern industrial life. Problems like wages, working conditions, or personal relations inside the factory, are obviously more important to the workers than the question of ownership. The communists disregard all of them and insist that everything will be right once the factories have been nationalised. This does not mean that nationalisation must necessarily be considered bad. But to reduce the whole problem to a question of ownership is oversimplifying

of the situation greatly.

Again, Historical Materialism is the result of Marxian Communism's oversimplification of human motives and human history. It got hold of only a fragment of truth and tried to convince humanity that it was the whole truth or the fundamental truth. It is a fact that within every human society there is always present a covert or an overt conflict of opposing tendencies. But Marxian Communism simplifies the whole human situation by declaring that only two human classes exist, the exploiters and the exploited, the haves and the have-nots, and it is the conflict between these classes which creates and explains all history. Human motivation is not so simple.

If we take a realistic view of history, we shall have to admit that different epochs and different human groups have been actuated by a variety of motives. Take, for instance, the religious motive which is considered by the Marxists to be a reflection of economic motives and economic conflicts, but if we read the bloody history of religious conflicts, we shall be surprised to know that competition between rival religions has been responsible for more wars than any single cause. Joad in his *Book Mark* (p. 110) observed :

It is estimated that competition between rival religions has been responsible for more wars than any other single cause, and of these the most numerous and the fiercest have been waged between sects representing different versions of the religion of peace. Men have fought to maintain their right to turn to the East during the recital of the Apostles' Creed and have died in thousands over the question of whether the words "and the son" should or should not be inserted in the Nicene Creed. Unless, therefore, we are to suppose that the scope of the economic motive is to be extended to cover the expectation of pecuniary benefits in the next world, as well as in this one, the Marxian analysis of the causes of what are called religious wars breaks down. Personally, I think, it is doubtful whether Marx would have consented to any such extension; he did not believe in heaven, which he considered a bourgeois invention.

Besides religious conflicts, human society has suffered from countless dynastic wars and wars waged by military, motivated by the instincts of glory and self-aggrandizement. The fact is that all attempts to interpret human history through economic determinants lead to the denial of the role of great men as shapers of human

destiny. They assert that French or European history would have taken the same course, with or without Napoleon, or if Bonaparte had not sprung up from somewhere, someone else was dialectically bound to do the same job. But if religion is opium of the people and it was invented by the exploiting class as a method of ensuring the subservience of the exploited, how would they explain Christ's philosophy who was neither a landlord nor a slave-owner nor a capitalist. It is ridiculous to assert that Dialectical or Historical Materialism produced Muhammad (peace be upon him), and that the Prophet was the mouthpiece of economic class-conflicts. Arabia had remained unchanged for millenniums and would have continued indefinitely in its ancient ways, if a man of the genius of the Prophet had not canalised the energies of the people into entirely new channels. Muhammad (peace so upon him) found a good deal of exploitation and economic injustice about him and tried to remedy them radically; but it was ideology acting on economics and not changes in production or modes of exchange and distribution creating an ideology, as a rationalisation or justification.

The same oversimplification occurs in moral questions. Everything that serves the party and its single goal is obviously considered good; everything opposed to it is branded as completely wicked. The Communists act as if everything is either all black or all white. But human experience indicates that in life nothing is all good or all bad. Therefore, Communism is explicitly monistic in its approach; it believes that there is only one absolute value, the victory of the party, while all others are relative.

The Communists themselves claim that their doctrine is based on science. But in reality it is difficult to justify this claim. Because Communism is not based on experience, but rather proposed as a sort of *a priori* dogma; it also rejects free criticism and forbids the expression of any opinion besides its own and believes itself to be eternal and unchanging.

Coming to the other side of the picture, we find that the labour theory of value on which Marx developed the theory of surplus value itself is quite unsatisfactory, because it is not possible to reduce all labour into one grade as Marx and others have tried to do. Moreover, commodities which require no labour

to produce also possess value, provided they are scarce in relation to demand. Moreover, the theory ignores the demand side altogether. As regards surplus value, it is arbitrary to say that fixed capital produces no surplus value. In fact, observation shows that profits are highest where fixed capital is used in abundance, which is contrary to Marx's theory as he himself admits it.

Again, the course of economic development in various capitalist countries, however, does not seem to have followed the path laid down for them by Marxian communists. True, the control of capital is more concentrated now through the development of the joint-stock principle than it was at the time when Marx wrote. But the ownership of capital is more scattered in the form of small shares held by a large number of people mostly belonging to the working classes. The relative importance of the middle class has increased rather than decreased. Moreover, an average working-class family in advanced capitalist societies is enjoying a living standard much above the level of bare subsistence. Techniques have been discovered for the control, if not elimination, of the wide swings of cyclical fluctuations. There is no sign that the capitalist system is moving towards its doom as Marx predicted. Capitalist societies have survived major calamities like the two Great Wars and the Great Depression.

No doubt, totalitarian planning on the Soviet model can help to remove unemployment, maldistribution and many other shortcomings of Capitalism. As Harris has observed, the U.S.S.R. is not troubled by excessive salesmen and advertisers, while the factories are short of labour, and, unlike British post-War experience, purchasing power is not shunted disproportionately to tobacco, alcohol and entertainment. The U.S.S.R. would not permit a student body of millions in higher institutions of learning even though the market demand is not likely to absorb one-half of this number.

The most serious doubts concerning economic planning revolve round the issue of incentives and that of personal liberty. Profits are certainly an effective incentive in the capitalistic system. If profits are to go, is it possible to maintain an atmosphere of economic progress such as is secured under the competitive system? Russia's great achievements in the economic field

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completely belie all misgivings regarding the compatibility of a truly socialistic economy with economic progress. Moreover, it is possible to provide incentives for managers and workers even in a collectivist State. The issue of personal liberty is certainly a much more intractable one than the problem of incentives. The Russian economy is based on regimentation and compulsory direction of labour. Though the masses everywhere seem to prefer bread and housing to liberty, the best thing would, of course, be to combine, if possible, planning with individual liberty.

Sir William Beveridge stressed the compatibility of a planned society and the retention of fundamental freedoms. He, however, came to the conclusion that even democratic planning requires direction of labour as well as direction of investment. Dr Lange and Dr Lerner have on the whole supported collectivism. But their plans are based upon price calculations. The manager of a collectivist farm will have to equate marginal cost of price, if the optimum output is to be secured. Lerner formulated certain welfare equations which must be fulfilled, if the ideal output were to be evolved. Lange stressed the social aspects of cost determination. Only Socialism can take into account the full social cost of production which can easily exceed the private costs incurred by the entrepreneurs.

Professor Robbins, however, has expressed grave doubts as regards the working of the collectivist organisation in a free and democratic society. Nationalisation of means of production would just mean the creation of gigantic State monopolies exhibiting in an even heightened degree the rigidities of monopoly Capitalism. The goal of progress, declares Professor Robbins, lies in a direction different from that of overall collectivism. He believes that the loose institutions of individualism offer scope for the development of a way of life, more congenial to what most of us desire in our hearts than the tight centralised controls which are necessary, if these institutions are greatly curtailed or suspended.

In fine, we take it for granted that the socio-economic systems which were designated as liberal are compatible with political democracy, while an authoritarian economy (whether communist or fascist) is the economic expression of a totalitarian political system.

4. Fascism

Viewed either negatively or positively, Fascism has elements in common with other systems of social organisation. If defined simply as a negation of liberalism and parliamentarianism, it is inadequately differentiated from Communism and other ideologies which manifest an equal antipathy to the older democratic tenets. If, on the other hand, defined positively as an unlimited sovereignty of the State over all phases of national activity, it approximates nationalism.

It is only when viewed as a peculiarly Italian phenomenon that the essence of Fascism becomes clearly delineated. In its philosophy, origin and development, political structure and cultural aspirations, it is an integral part of the Italian matrix. As a reaction to the spread of collectivism, Fascism arose in Europe after the First World War. Its philosophy substitutes for democracy the totalitarian State, in which individual rights are replaced by duties. It advocates racial supremacy, nationalistic expansion, self-sufficiency, military preparedness, and population growth. Beginning with Mussolini's march on Rome in 1922, Fascism soon spread throughout Central Europe, and even made its influence felt in Central and South America. It still prevails in Spain and Argentina.

Philosophy of Fascism. Fascism is the product of peculiar post-War conditions, largely anti-intellectual, opportunistic in methods. In support of their opposition to democracy, they point to its hesitancy, partisan political bickerings, and time-consuming debates. For Fascism has developed the idea of the totalitarian State. The State, to the Fascist, is absolute. It is an end in itself. To them everything for the State, nothing against the State, nothing outside the State. Thus it insists upon exerting its domination over educational, religious, scientific and artistic institutions. All national institutions and agencies exist for the service of the State alone. The highest obligation and duty of the individual is a contribution to the power and unity of the State and he loses completely his own identity in it. The only right which the individual as such possesses is the right to assist in the strengthening of the State. In other words, he has individual rights only in so far as they do not conflict with the needs

of the sovereign State. The Fascist party cuts through the horizontal layers of society, which, with the aid of the arbitrary State government, hold it together like a clamp. Just as in Soviet Russia the party seeks, through a host of auxiliary groups, associations of teachers, students, rail-road-men and the like—to extend to all spheres of modern life, Fascism is for militant nationalism. Here is a clear contrast to the class Internationalism of collectivism. Fascism stresses the purely national virtues, in many cases developing likewise an acute racial consciousness. Fascism has nothing but contempt for pacifism. War and the pursuits of war are glorified. International relations rest not upon a basis of international law and morality, but upon the test of military powers. Strength alone gives a nation the right to possess territory. Thus the Fascist philosophy leads its followers to seek that continuous national expansion which its conception for power politics serves to justify. The fascist school legislation has made religious education obligatory in State schools. Although the relationship of Fascism to the Catholic Church is in many respects extremely complicated, it is unquestionably true that the two movements share in common many features as, for example, an antipathy to liberalism and a close contact with the middle classes, especially the agrarian.

Economic Philosophy of Fascism. The economic philosophy of Fascism is guided by the basic philosophy of State. Though it calls for the preservation of the institution of private property which Communism threatens, yet in practice, however, traditional liberal, *laissez-faire* Capitalism almost completely disappears under Fascism. While private enterprise is stated to be the most effective method of production and distribution, the exercise of a considerable degree of State regulation is considered essential for the promotion of economic stability and the full utilisation of productive resources. A unified and centrally directed economic programme is regarded as essential. Since everything for the State, the private enterpriser is held responsible to the State for the direction given to production. When private initiative is unequal to the task at hand, or is regarded as inefficient, State intervention is permitted. The most thoroughgoing interventionism of the corporative State is in regard to the

freedom of labour. A syndicalist structure incorporating the various vocations of the nation is designed to regulate all relationships involving labour. Although this is accompanied by a campaign of moral and national education among the members, the regulations are rigidly binding upon all. Consistent with the emphasis on the supremacy of the State is the effort to transcend the disastrous economic and political effects of class conflict by emphasising the solidarity of capital and labour in the production process. Actually, of course, there is still a sharp division between labour associations and employers' associations, having the way open to a clash of interests. But since all strikes and lockouts are outlawed, such disputes are to be settled mostly by arbitration groups. Not only in the field of production but also in the case of distribution the State has the power. Thus the State assumes the right to distribute the essential factors of production and to direct the flow of raw materials and credit. It assumes the right to fix wages, rents, interest rates, and, in certain cases, commodity prices. In these respects, Fascism bears some resemblance to State Socialism, but without either its democracy or its interest in the welfare of the workers. The question of exercising private initiative loses its significance when it is realised that the primary aim of economic activity under Fascism is not the attainment of the highest possible standard of living, as presumably it is under both Capitalism and Collectivism, but a continuous increase in the military power of the State. With this as its objective, the Fascist State operates always on a basis of wartime economy. Huge resources are, therefore, wasted. Again, it is a menace to human civilisation, because it encourages the rapid growth of population for building up a large army. They often forget that the world has faced the problem of population explosion. A considerable proportion of the national income is devoted to the maintenance of a large army and the financing of imperialistic adventures. Overpopulation, resulting from the encouragement given to a high birthrate, aggravates the decline of production. The only incentive Fascism has is its nationalistic glorification of the State. The population is exhorted to choose bullets, the symbol of power of the nation, in preference to bread, the symbol of mere individual well-being.

A Brief Review of Fascism. Fascism and Communism are two symptoms of the same disease. They are frequently grouped together as totalitarian systems. They are alike in that their governments are one-party dictatorships. In both, the ruling party maintains its power with an iron hand; civil liberties are suppressed. The term "totalitarian" can perhaps be applied to them both, in that each sets up a philosophy and a policy that are regarded as supreme values that must command the complete allegiance of the people above their allegiance to their church, their fellow individuals, and even the members of their own families.

Yet their conceptions of the State are very different. To the fascists, the State is a superior entity, an end in itself. To the communists, the State is an organ of class oppression, eventually to wither away and disappear. For, the fascistic idea is nationalistic expansion through aggressive encroachment upon other nations, while the communists envisage themselves as the promoters of a world revolution. Those who believe in the importance and dignity of the individual will not readily sacrifice the democratic method of policy determination for the sake of so-called increased mechanical efficiency under Fascism or Communism. Under Fascism, efficiency is secured by the sacrifice of individual rights. The fascist glorification of war forced dictatorships and democracies alike to dissipate a large portion of their productive resources in the manufacture of armaments, and thereby delayed indefinitely the further progress of social legislation and reform. It reduced markedly the volume of international trade. The general breakdown of world trade for which these policies are partly responsible was a leading cause of the Depression that prevailed everywhere during the two World Wars. The heavy expenditures on military preparations unbalanced the government budgets badly in both Italy and Germany.

The government of Fascist Italy represented centralisation of power carried to an extreme. Nominally a monarchy, the supreme governing body of the country was a cabinet composed of the heads of fourteen ministries. Fascist Italy's principal contribution in the economic field was the development of the corporative structure. Twenty-two corporations were set up in

various industries, trades and public services. Although adopting the name National Socialism, the Nazi government of Germany possessed all the general characteristics of Fascism. The defeat of the Axis powers put an end to Fascism in Germany and Italy. Fascism is now a forgotten chapter of history. It cannot solve the conflicting problems of the day.

5. Islam and Other 'isms

To make a comparison between Islam and other 'isms like Capitalism, Socialism, Communism and Fascism is something more than a mere putting old wine in a new bottle. The challenge of time Islam faces today points us the need for such analysis which can point out where Islamism excels the others in meeting certain goals. Since the whole analysis is subjective, we need not be surprised to find that those whose goals are different or who give different weight to the same goals refuse to accept our point of view.

Rightly or wrongly, each of the social philosophies has got its basic objectives. Thus Capitalism believes in the unrestricted private ownership of the means of production, the motive force of which is private profit. The capitalist's motto is "Everything for himself and devil take the hindmost." Again, "from each according to his ability, to each according to his need" is the basic goal of Communism. In realising this objective, Communism regimentalises the means of production, crushes personal liberty, destroys family and religion. But Socialism also aims at the abolition of private ownership of the means of production. The concept of private profit as exists in Capitalism will be replaced by the motive of social service under Socialism whose motto is "From each according to his worth, to each according to his work." Communism is more extreme than Socialism. But Fascism which is almost a forgotten chapter of history can be grouped as a totalitarian system. The fascist ideal is nationalistic expansion through aggressive encroachment upon other nations. "Everything for the State, nothing against the State and nothing outside the State"—is the philosophy of Fascism. In spite of certain differences, Fascism and Communism are the two symptoms of the same disease.

But Islam aims at achieving a social system which is capitalistic in broad outline restricted very largely by socialistic institutions and ideas. That is, Islamic concept of society is based on five principles. They are (a) Qur'ānic concept of history, (b) restricted private ownership of the means of production, (c) universal brotherhood of man, (d) eternal principle of co-existence and (e) sovereignty of Almighty Allah. In our comparison of different economic systems, I would confine my discussion to comparing performances in respect of each of the principles just mentioned.

(a) *Concept of History.* Before developing the Qur'ānic concept of history I would prefer to take up the Marxian materialistic interpretation of history according to which the economic event is dominant in controlling social and political life. True, in every human society there is always present a covert and overt conflict of opposing tendencies. But Marx tries to impress upon us that only two human classes exist: the exploiters and the exploited, the haves and the have-nots, and it is the conflict between these two classes which creates and explains all history. Marx believed that in the process of social evolution there has been slavery and serfdom, feudalism, Capitalism and Socialism from the standpoint of production and distribution. According to Marx, each stage is an advance on its predecessor. But the revolutionary struggle of Marx was actually directed against Capitalism under which the labourer is, Marx believes, paid only enough to maintain himself on a bare level of subsistence. Consequently, there is a surplus value created which the capitalist is able to take for himself. Profits of the capitalists are nothing but exploitation. Marx's "Law of Concentration," coupled with his doctrine of "surplus value," must lead to class war between the two groups which would ultimately bring about the downfall of Capitalism and establish the dictatorship of the proletariat.

This idea of inevitability of the historical process leading to the fulfilment of a predestined end finds no counterpart in the Qur'ān at least in two ways. Firstly, the Qur'ān recognises the existence of different classes of people in the society; it does recognise the differences in talents, differences in income among the different members of the society for the progress and pros-

perity of the same (iv. 33). This leads directly to the denial of the doctrine of proletarianism developed by Marx, namely, the proletariat majority will shape the future course of history. The Qur'ānic concept of history is more practical and more realistic in the sense that the Qur'ān, by recognising the multiplicity of human motives and sentiments, took into consideration the role of great men like Prophet Muḥammad (peace be upon him), Jesus Christ, and others in shaping the future course of history and destiny of nations. But Marx is so much obsessed with viewing economic relation as a sole determinant of human history in every direction that he denies categorically the part played by religious conflicts, countless dynastic wars and great men like the Quā'id-i-A'zam, Kemal Ataturk, Abraham Lincoln, Napoleon Bonaparte as the shapers of human destiny. "The Qur'ānic concept in this respect approximates Toynbee's concept of creative minority, for it is only a minority of purposeful and thinking persons that form the leadership of any movement even of the proletariat movement under Communism. The vast majority of people merely follows the lead given by the minority."

Secondly, the inevitability of class conflict leading to the ultimate victory of the proletariat over the capitalist as propounded by Marx is not supported by the Qur'ānic concept of history. True, the Qur'ān has promised victory to the Prophet of Islam over his opponents as in the verse, "It is He Who sent His messenger with the guidance and the religion of Truth that He may make it prevail over all religions" (xlviii. 28). But here the victory promised is clearly the victory of Islam in Arabia over the polytheists, the Jews and the Christians, and the promise was fulfilled in the lifetime of the Prophet.

From the above-quoted verse we are not prepared to accept that the success of Islam is guaranteed by the process of history. If the Muslim community does not follow the path laid down by the Holy Qur'ān and the Sunnah, it might fail to secure the power and domination as promised by the Holy Qur'ān.

The Qur'ān guarantees the victory of Islam on other grounds, and says: "The Truth has come and falsehood vanished; surely falsehood is ever bound to vanish" (xvii. 81). Islam, being truth, is bound to prevail over untruth. Its victory, therefore, is a moral

and not a historical necessity, except in so far as moral necessity is bound to influence the historical process which is largely governed by the moral nature of man.

This concept of universal morality is based on the Qur'ānic doctrine of "Tawhīd." i.e. all life is one, therefore, no separate sphere can claim independence of other, since it is the moral and spiritual version of men that co-ordinates and harmonises the economic, social, political, and biological activities of society. Thus "the Qur'ān does not propound any set of laws which may be said to govern the historical process. It only shows that certain traits of human nature express themselves in the history of all decaying societies, while other traits of human nature exhibit themselves in the history of growing societies. At the same time the Qur'ān tells us through the mouths of the Prophets what kind of moral teachings, beliefs and socio-economic values, tangibly incorporated in laws, can arrest the process of social decay and lead a community to material as well as spiritual power."

Thus, it is possible to explain the advent of Islam, decline and fall of the Roman Empire, movement of Pakistan through the Qur'ānic concept of history which is based on a deep understanding of human nature. But I wonder how all these events of history can be explained through materialistic interpretation of Marxian Communism.

This brings us to the discussion of the significance of "matter" in shaping human history. Marx started with the denial of Allah; if He does not exist, only the "matter" is left. Like all materialists he presumed the purposelessness of "matter" in the dynamic setting of human society. But borrowing the idea of Hegel he told us that "matter," though unconscious and un-purposive, somehow possesses the attribute of progressively creating the values of life. Because mere class conflict as propounded by Marx is of no significance, if it does not create values of life. The Qur'ān teaches us that the entire creation is meaningful (xxxviii. 27; xi. 15, 16) and, therefore, "matter" is not also purposeless. In fact, all physical life comes out of it and is reabsorbed by it. Matter, life and mind denote varieties and gradations of being and all that exists is real.

It is not out of place to mention here that neither Capitalism

nor Fascism does propound any set of laws which may be said to govern the historical process. The unrestricted individual initiative and unhealthy competition between the rich and the poor are likely to determine the future socio-economic set-up under Capitalism. Again, Fascism, which is the product of peculiar post-War conditions, is largely anti-intellectual and opportunistic in method. If there is any law, it is the militant nationalism which may be said to govern the future course of bloody history under Fascism.

Religion. Another significant aspect of the Qur'ānic concept of history is the part played by religion in the process of social evolution. Marxian Communism does not recognise religion. To Marx, it is opium of the people and was invented by the exploiting class as a method of ensuring the subservience of the exploited. True, Marx found a good deal of exploitation and economic injustice about him in the name of religion. But there is always a basic difference between religion and cult just as there is difference between the eternal problem of housing and the method of handling this problem. The first one is eternal and the second one relative to the needs of the community just as the basic principles of religion are eternal and cult is subject to change. But Marx confused between religion and cult, condemned religion and gave us materialistic interpretation of history. It is ridiculous to assert that Historical Materialism produced men like Prophet Muḥammad, Jesus Christ, Gautum Buddha and others. Under Fascism religion has no part to play except in so far as religion is used to assist in the strengthening of the State. Like Socialism, Capitalism is not anti-religious; religion could flourish in such societies in its own way. But here also religion is divorced from the social, political and economic activities of the society. In such a scheme of society religion is just a misnomer. The whole society is drifting towards materialism to the utter neglect of the role of morality and spirituality which consist in harmonising the conflicting requirements of material life. But the Qur'ānic concept of religion is based on the oneness of God which is symbolic and significant in the sense that all life is one and wholesome and the religion of Islam provides the entire gamut of activity—social, political, economic and biological, and brings an equilibrium in society. With these words,

we may switch over to the second part of our comparative analysis.

(b) *Concept of Private Property.* There is a vast difference between social systems with regard to the concept of private property. "Islam maintains a balance between exaggerated opposites." Capitalism believes in free enterprise which necessitates private ownership of the material means of production. The freedom to save, to invest, to inherit and to accumulate is a right which is even more peculiar for Capitalism than is the free choice of consumption and of occupation. In such a social system we find great inequalities of income. Some people are found living in palatial buildings and some in huts and tents. But Communism wants a complete substitute for that allocation of economic resources which in a capitalistic system is determined by price and incomes, and related in turn to consumers' sovereignty and decisions made by innumerable business men. It has practically involved the liquidation of private enterprise and private property. The regimentation and compulsory direction of labour under Communism is too high a price for a "mess of pottage". In fact, Communism in this respect holds a more extreme view than Socialism which also stands for the abolition of private ownership of the means of production. Here the nature and extent of industry and production are to be subservient to social needs and not the profit motive. Though it avoids the wastes of the competitive system, yet here also we find the same problem of incentives and individual liberty. Again, in theory, Fascism calls for the preservation of private property but in practice liberal *laissez-faire* Capitalism almost completely disappears under Fascism. Since everything for the State, the private enterpriser is held responsible to the State for the direction given to production. It assumes the right to fix wages, rents, interest and, in certain cases, commodity prices. In these respects, Fascism bears some resemblance to State Socialism, but without either its democracy or its interest in the welfare of the workers. The question of exercising private initiative loses its significance when it is realised that the primary aim of economic activity under Fascism is not the attainment of the highest possible standard of living, as presumably it is under both Capitalism and Collectivism, but a continuous increase in the military power of the State.

But in Islam absolute ownership of everything belongs to God. "The sovereignty of the heavens and the earth and all that is between them belongs to Allah" (v. 17-18 and elsewhere). It follows that proprietorship of all free gifts of Nature—land, water and their wealth—does not belong to any individual. Mankind holds them jointly in trust. The trust is conditional in the sense that men benefit themselves equally and not to the exclusion of anyone, not for enriching one's self or exploiting others or holding others in subjection. Thus Islam allows private ownership of property, but subjects the owner to restrictions preventing him from using property except to the common good. It encourages the acquisition of private property, but requires that this should be by means conducive to the good of the community as a whole. In brief, "while Islam allows the individual to promote his own good it exhorts him not to forget that he is part of the group, and reminds him of the need to protect and promote the interest of his fellows." The moral injunctions about ownership are to create a sense of responsibility and a conscience.

Broadly speaking, these ethical injunctions—both positive and negative—on the owners of the property are the following :

- (i) to exploit property to the fullest extent without adversely affecting the interests of the community ;
 - (ii) to pay Zakāt ;
 - (iii) to spend "in the way of Allah" ;
 - (iv) to abstain from taking interest ;
 - (v) to avoid fraud in business dealings, hoarding or monopoly.
- From the above analysis, we can safely say that Capitalism believes in an unplanned economy resulting in the occurrence of periodic crisis ; Communism in totalitarian planning with total damage to individual liberty ; Socialism in comprehensive planning with considerable harm to personal liberty ; Fascism in militant planning which aims at increasing the military power of the State to the utter disregard of the welfare of the people. But Islam provides a realisable synthesis between planning by inducement and planning by direction.

We may now pass on to the third part of our comparative analysis based on the principle of universal brotherhood.

(c) *Concept of Brotherhood.* The Islamic concept of brotherhood

distinguishes Islam from other social systems in moral, social and economic spheres of life. In the moral sphere, it is "ṣalāt" (prayer) which plays a decisive role. The prayer in Islam finds expression in many ways. The most important is the one known as "ṣalāt" which comprises five daily services. The service is led by one of the congregation preferably the one who possesses the best understanding of the Qur'ān. There is no priesthood or anything corresponding to ordination or taking Holy Orders in Islam. Every Muslim is, or should be, competent to lead a congregation in the service.

In other words, "ṣalāt" places everybody—rich and poor, high and low, king and beggar—on an equal footing. In fact, "ṣalāt" teaches us man's equality to man, his dignity and his value. This vision is a part of the Islamic faith. Because in the "ṣalāt" the worshipper repeatedly returns to contemplation of the Majesty of God, imploring Him to guide and direct his life and effort along beneficent channels. This repeated effort made in the right spirit, humility and sincerity must leave its impress on the mind and soul of the worshipper and cleanse him thoroughly of all dross. The Qur'ān says that the "ṣalāt" purifies a worshipper and washes him clean of all evil and misbehaviour (xxix. 46). The Prophet has said: "If a person has a stream of pure water running at his doorstep and washes himself thoroughly in it five times a day no impurity would even approach him. Remember, the ṣalāt is such a stream."

Thus "ṣalāt" is fruitless if it does not bring the mood and temper of voluntary submission to the demands and dictates of genuine social welfare. This contribution of Islam towards developing the concept of brotherhood from the moral standpoint is practically absent in Communism, Socialism, Capitalism, and Fascism, for some reason or other. It is absent in Communism, because Communism which is anti-religion stresses more on material progress in life and uproots all feelings of brotherhood from the minds of the people. It is absent in Capitalism, because Capitalism like Socialism limits the scope of religion and morality within the four corners of the church. The dynamic interplay of spiritual and secular institutions is not found either in a capitalist or socialist society. It is absent in Fascism, because Fascism

in the State which is an end in itself and not a means to an end. Therefore, it negates all feelings of fraternity from the minds of the individuals.

Secondly, in social sphere the Islamic concept of brotherhood springs from spiritual renovation and not from social surgery which is the sole weapon for ensuring social security under Communism. The Qur'ān says that Allah has divided mankind into tribes and nations for greater facility of intercourse. The true source of honour in the sight of God is a righteous life for the individual irrespective of his membership in any race or tribe (xliv. 14). In his Farewell Address, the Prophet said: "You are all brothers and are all equal. None of you can claim any privilege or any superiority over any other. An Arab is not to be preferred to a non-Arab, nor is a non-Arab to be preferred to an Arab."

It is stressed that true brotherhood can be established only by virtue of man's relationship with one another through God. While stressing upon showing due kindness and proper affection toward children and other member of the family, the Qur'ān lays great stress on kindness toward neighbours (iv. 37). The Prophet emphasised on many occasions the duty owed to a neighbour, saying: "So repeatedly and so much has God impressed upon me the duty owed to a neighbour that I began to think that a neighbour might perhaps be named an heir." In the same way, the needy and the wayfarer must be looked after (iv. 37). Orphans have been made the objects of particular care. The property of the orphan should not be dealt with to his prejudice by exchange or by being held in common with the property of the guardian (iv. 3).

Thus it follows that all men, rich and poor alike, must aid one another materially and personally; the rules vary in details but they maintain the principle of universal mutual aid in the Muslim fraternity. This fraternity is absolute and comprises men of all colours and of all races: black, white, yellow, all are sons of Adam by the flesh and all carry in them a spark of the Divine Light. Everyone should do his best to see to it that this spark is not extinguished, rather developed to that full companionship on High which the Prophet saw clearly awaiting him on his death-bed. It is impossible in Islamic society to reduce man in the name of Islam to the kind of degradation to which we find whole races or

castes condemned in many non-Islamic societies. "There are no parallels in Islam to the programme which characterised the history of Europe in the Middle Ages. Nor will there be found in the chronicles of even the worst Muslim ruler any instance of the kind of bigotry and race hatred which has darkened the history of modern European imperialism. Islam can claim both in the light of the Qur'ān and the Sunnah as well as the practices of Muslim governments to have been able to solve the problem of race prejudice far more effectively than any system or philosophy, ancient, mediaeval or modern, known to man. That this is no mean achievement will be appreciated by those who are aware how even in the most advanced countries periodic outbursts of irrational racial hatred continue to meance human life."

Thus Islam aims at merging all sections of society into a single community so that all persons may feel themselves to be members of the same family. Thus Dr Dhalla in this book *Our Perfecting World*, says: "Muhammadanism alone, among the religions of the world, has remained free from colour bias. . . . It welcomes all converts with open arms, whether they are negroes or pariahs. Without reserve it accords them their rights and privileges and receives them into its social circle as much as into its religion. It excludes all barriers of birth and colour and admits its convert within the community on the basis of complete social equality."

Again, in his book *Authors of History*, H.G. Wells observed: "The stress of creed and class and the practical domestic brotherhood of Muslims has made the faith one of the greatest forces of the civilized world today."

In the social sphere also, true brotherhood cannot be developed under Communism, Capitalism, Socialism and Fascism. Because Communism stresses mere technological advance in social affairs through class conflicts, the basis of which is hatred and not love. The total erosion of all private initiative under Communism has resolved the individual in an unprogressive social welfare. Karl Mannheim, in his *Diagnosis of Our Time*, says, "If there is a lesson to be learned from the experiments of the totalitarian states, it is this: that ruthless regimentation leads to the enslavement of the citizen and the mechanistic concept of equality defeats itself." We find the same regimentation in varying degrees both

under Socialism and Fascism. In the first case it is in the name of welfare of the masses and in the latter case it is in the name of the State. Therefore, these social systems cannot help develop true brotherhood of man. Again, in capitalistic society we find not only landlords and landless masses living side by side but also an obnoxious distinction between man and man on the basis of race and colour and creed. The racial conflict of U.S.A., the apartheid policy of South Africa, Rhodesia's minority rule, are some of the living testimonies to the fact. I wonder how the concept of universal brotherhood can be developed in such society.

In the economic sphere, the uniqueness of the Islamic concept of brotherhood lies in the fact that Islam abrogates all anti social economic activities which are not conducive to communal welfare. Thus all monopoly and speculative businesses are prohibited, because all these are opposed to beneficence and take the advantage of the need or distress of their fellow-beings. Hoarding is condemned, because it puts wealth out of circulation and deprives the owner as well as the rest of the community of its beneficent use. Again, by condemning interest, Islam has not only helped expanding production and employment but also placing the culture of brotherhood on a firm footing, because human brotherhood and sympathy evaporate when interest is charged for loans of money. Positively, the payment of Zakāt has been made a vital part of the Islamic faith. The spiritual discipline inculcated by "ṣalāt" would lose its practical significance if Muslims do not pay Zakāt to root out economic and social injustice. Moreover, in carrying out legitimate economic activities, it is stressed that all contracts, whether involving large or small amounts, must be reduced to writing setting out all the terms agreed upon fairly and as a further precaution it is laid down that if the person on whose behalf the liability is undertaken is a minor or of unsound judgment, then his guardian or the persons representing his interest should dictate the terms of the contract (ii. 283). The point is that in all economic activities permitted by Islam there should not be an iota of exploitation or unfair dealing which may ultimately stand in the way of true human brotherhood. Islam recognises that absolute equality in economic terms is likely to remain a wholly unattainable object; what it has sought to prescribe is a system which, if followed

strictly, reduces to a minimum the danger of one individual or group exploiting another and perpetuating the exploitation as we find in the case of Capitalism. This is probably far more important that the erection of a system aiming apparently to enforce absolute economic equality but actually ending in the thwarting of basic human impulses is the case of Communism and Socialism. "Economic egalitarianism in many countries today has led to the development of cults in which one single individual is elevated to the rank of divinity. This results in the degradation of human dignity, the debasement of man's self-respect." Thus in the economic sphere also, we cannot have true brotherhood of man under Communism, Capitalism, Socialism and Fascism. He cannot have it under Communism, because economic progress under Communism is not only a record of class conflict and ruthless suppression of one group by another but also total erosion of individual freedom and liberty. The individual's feelings, his mental and moral faculties are submerged in his function as an economic tool. We cannot have it under Capitalism, because Capitalism is the climax of economic pursuits which are not subordinate to the ethical discipline of religion. Therefore, all anti-social economic activities like monopoly, speculative business, hoarding, etc., which are not prohibited under Capitalism in the name of individual freedom negatives the culture of brotherhood. Again, we cannot have it under Fascism, because Fascism charges the State with the task of social and economic planning. It does favour the notion of forced conformity in the name of the State. When an individual is denied the reasonable exercise of his God-given faculties, when he cannot influence the policies or change the personnel sitting astride the executive machine, when he has perforce to fall in line with what the ruling oligarchy decides and prescribes, he ceases to be a national being; the question of brotherhood of man does not, therefore, arise under Fascism. In the economic sphere, if there is any similarity between Islam and other "isms," it is with Socialism minus its ruthless curb on individual initiative and drive.

Now we would take up the comparative analysis on the basis of principle of co-existence.

(d) *Co existence.* Unlike any other "ism," the basic principle of co-existence owes its origin to the Holy Qur'an and the Sunnah.

While the Holy Qur'an commanded the Muslims to work wholly for peace (ii. 209), the Prophet himself exhibited this principle of the Qur'an through his action and deeds.

Thus the Muslim greeting in all parts of the world is : "Peace be on you, and the mercy of Allah and His blessings." Every pursuit and activity which has the tendency to disturb the peace is severely condemned. "Do not promote disorder in the earth after peace has been established" (vii. 56-57) ; "Do not go about committing iniquity in the earth and causing disorder" (vii. 75 ; xi. 86 ; xxix. 37) ; "They seek to create disorder and Allah loves not those who create disorder" (v. 65) ; "Seek not to create disorder in the earth. Verily, God loves not those who seek to create disorder" (xxviii. 78).

Thus all possible factors which tend to disturb peace and order are strongly condemned by Islam. Domination of one group by another in the domestic sphere or of one people by another in international sphere or economic exploitation of any form which may develop into a threat to peace is strictly prohibited. The Qur'an says : "Do not raise thine eyes covetously after that which We have bestowed on some groups, to enjoy for a period, of the ornaments of this life that We may try them thereby—the provision bestowed upon thee by thy Lord is better and more enduring" (xx. 132).

Again, many an international conflict arises because of the divergence between proclaimed intentions and policies and actual practice and conduct as we find in the case of India's forceful occupation of Kashmir in spite of her declaration in the U.N.O. in 1949 to hold a fair plebiscite.

A true Islamic State cannot behave in such a manner. The Qur'an emphasised on complete conformity of conduct to declarations and professions of intent. "O ye who believe! why do you say what you do not : most displeasing is it in the sight of Allah that you say what you do not" (lxi. 3-4). On the other hand, it warns against indulgence in undue suspicion of other people's motives and against seeking to discover pretexts for differences and disagreements, as this might result in much harm. Even hostility toward a people should not incite a Muslim or the Muslim community or the Muslim State to act unjustly or inequitably toward them. "O ye who believe! be steadfast in the cause of

Allah, and bear witness in equity, and let not a people's enmity toward you incite you to act otherwise than with justice. Be always just, that is, closest to righteousness. Fear Allah. Surely, Allah is aware of what you do" (v. 9).

No doubt, Islam takes note of the diversity that exists among nations and peoples, but "inasmuch as God's sovereignty extends over the whole universe, the ultimate ideal of a State in Islam is a universal federation, or confederation, of autonomous States, associated together for upholding freedom of conscience and for the maintenance of peace and co operation in promoting human welfare throughout the world."

In fact, the Islamic attitude towards idolatry, in spite of its uncompromising stand on the unity of God, is indicative of the firm Islamic faith in the principle of co-existence. The principle is that even false doctrines and unsocial and destructive ideas, so long as they are believed in and adhered to, must be taken into account as having an appeal to those who entertain them; all conduct which is likely to cause provocation should be avoided (vi. 109). This toleration is a unique contribution of Islam in the domain of international relations. "A Muslim does not differentiate the secular from the religious and he is required to allow others to follow the dictates of their conscience. Such is the seminal demand of Islam. Islam does not merely tolerate but fully recognises the co-existence of other faiths in the political State evolved by it." The manifestation of the principle of co-existence we find in Islam has no counterpart in any other existing "ism". It is absent in Communism, because Communism believes in world revolution through material progress and it is virtually nationalistic in practice. This undue emphasis on material welfare will, I am sure, increase human greed and destructive ambition. This greed at the national level means clash of interests with other nations resulting in international chaos and conflict.

It is conspicuously absent in Capitalism, because Capitalism, in its drive for unrestricted ownership of means of production and private profit, ultimately leads to Imperialism which resulted from the need of markets for finished goods and raw materials for industry. This means a naked exploitation of a poorer nation by a richer one. Under Capitalism this exploitation is there either in the name of financing poor nations' development programmes or in the name

of "enlightened self-interest". Whatever argument we offer for Capitalism in this regard, the fact remains that this inevitability of Imperialism is the negation of the principle of co-existence. Clearly, militant nationalism under Fascism cannot at least give this world of conflicting ideologies a lesson for co-existence. Even under Socialism we cannot have the principle of co-existence fully manifested because the motive force of Socialism is social service to the utter neglect of the motive for private profit and incentive. On the face of it, this may appear to be an ideal but they are not workable and practical. I wonder how the principle of co-existence can find its fullest expression and manifestation under such social systems.

(e) *Concept of Sovereignty.* Islam differs fundamentally from all other systems with regard to the concept of sovereignty. In Islam sovereignty in all matters belongs to Allah and to none else. It does not belong to the monarchs nor to the State nor even to the people. The people are the trustees of that power, that is, sovereignty. They are sovereign in their own way as the capitalistic and socialistic systems hold. Like Capitalism, Communism does not believe in the sovereignty of God. The Western democracies of the capitalistic societies believe in the so-called sovereignty of the people. Again, sovereignty under Communism is the sovereignty of the proletariat to the neglect of the wishes of the non-proletariat. Lastly, Fascism believes in the sovereignty of the State which is, to them, an end in itself, not a means to an end. The Islamic concept of sovereignty is superior to all these existing systems at least in two ways: firstly, its superiority lies in its belief in God and its fear of violation of the moral code of life given by God in the Holy Qur'an—a code which can also bring harmony among the conflicting requirements of the material life. This fear of God is expected to keep the Islamic governments always within the borderline of democracy and justice in the real sense of the terms. Because of the ultimate sovereignty of God, Islamic democracy is more than a people's democracy or proletariat's democracy. As physical (personal) charm decreases, the mental hold on the people also starts slipping. As Allah is not to be seen, His hold remains firm for all times to come.

Secondly, the Islamic concept of sovereignty is more clear and more simple than the concept of any other system. The

Western concept of sovereignty is unclear and vague, because there are scores of schools giving their own theories with regard to the nature, extent and location of sovereignty. Here the strife between monistic and pluralistic concepts of sovereignty is still going on. Again, this concept of sovereignty is also misleading partly because people cannot act as the sovereign power and partly because people's sovereignty cannot guarantee people's welfare, as under Capitalism the will of the people is rarely the will of all the people. Again, sovereignty under Communism is confusing, because in theory it believes in the sovereignty of the people but, in practice, it believes in the sovereignty of the proletariat suppressing the individual freedom of thought and conscience. The Fascists' concept of sovereignty of the State was so abstract that the individuals for whom the State exists lost their identity.

But the Islamic concept of sovereignty, on the other hand, is very simple, clear, reasonable and convincing. It is in consonance with the nature of things, with the place of mankind in the universe, with the position of individual in society and aims of moral, economic and political life evolved by it.

In fact, the original polity of Islam was republican democracy where the head of the State—Khalifah or Amir—was chosen by the consensus of the citizens. He was the first citizen of the State but with no special privileges, being subject to all laws of the realm. He was a constitutional head of the State, not a dictator. He should be obeyed as long as he follows the principles as laid down in the Holy Qur'an and the Sunnah.

The moment he starts disregarding any principle of the Holy Qur'an and the established Sunnah of the Prophet the people have every right to disobey him. Herein lies the role of opposition in an Islamic State. In his first address Hadrat Abū Bakr said: "Obey me as long as I obey God and His Prophet. In case I disobey God and His Prophet, I have no right to obedience from you." This opposition, of course, has to be political, not ideological. In an Islamic State there cannot be "party loyalty" as such. If truth lies on the opposite side, one must acknowledge it. Therefore, parties in an Islamic State must be radically different from those we see in Capitalism, Communism and Fascism. The Western democracy of the capitalistic countries believes more in the so-called "party loyalty" rather than in truth and justice. Thus if

truth lies on the opposite side, the other party will not normally acknowledge it as such. This is true even in the case of the most highly developed democracy of U.K. Like Fascism, Communism believes in what the Communist Party says. "My party—right or wrong" is the slogan of Communism as well as Fascism.

Again, that all men are equal in the eye of A'lah is a gift of Islam to humanity. There is nothing original in the modern theory of the "rule of law". By guaranteeing the security to life and property, Islam taught all the modern constitutions a basic moral code. By rejecting the narrow concept of nationality, Islam attacks the very root of present-day conflicts, dissensions and strifes, and shows a way out to the Communists in their present conflict within their body politic. The Western democracies recognise the individual and gives him right to frame laws for his own good but that right is only "indirect". By the time the wills and the wishes of the millions are translated into a legislation, they become "the degenerated wisdom of two hundred asses." The Communist democracy prescribes some birthrights to the individual but controls his brain. The individual has the right to vote but the Government can be changed only by revolution and not otherwise.

While Communism calls Western democracy as plutocracy, where directly or indirectly capital governs and the labour is exploited, the Western Capitalism calls Communism or the so-called Socialism as totalitarianism where power capitalism and domination of one party have deprived the individual of the fundamental rights. Islam is neither Nazism nor Fascism, neither plutocracy nor totalitarianism. It is humanitarianism and internationalism. It guarantees full liberties of speech and action to all its members belonging to different religions, races, colours, languages, classes and castes. Here any exasperated majority does not inflict persecution on its minorities in the name of national security. In an Islamic State neither capital governs nor is labour exploited, nor are individuals deprived of their basic human rights. It is a democracy only in the sense that all people irrespective of race and creed are regarded equal before the law. The ultimate aim is to reach the goal of social justice and public welfare.

Again, the minorities are a sacred trust in the Islamic State ;

they are at a more advantageous position than the Muslims, because they enjoy the same privileges as Muslims without discharging obligations enjoined upon Muslims. Moreover, in the Islamic State the minority is not at the mercy of the majority, because the majority is not empowered by the Holy Qur'ān to frame any and every law not conducive to the welfare of the entire population irrespective of their faith, colour and creed.

Under Western democracy we find that the fate of the minority is entirely dependent on the whims of the so-called majority who can make any laws excepting "making a man a woman and woman a man". Not only this, we find a gloomy picture of persecution and victimisation of minorities on the basis of colour and race under the garb of Western democracy. John Strachey, in his book *Menace of Fascism*, said : "Freedom in capitalist society always remains just about the same as it was in the ancient Greek Republics, freedom for the slave-owners. The modern wage-slaves owing to the condition of capitalist exploitation are so crushed by want and poverty that democracy is nothing to them. Politics is nothing to them ; that in the ordinary course of events, the majority of the population is debarred from participating in social and political life." The same victimisation of majority under Communism is there in the name of ideology and class conflict. Again, in the name of glorification of the State we find persecution of the minority under Fascism. In a sense Communism and Fascism are the obverse and reverse of the same coin. But Islam is not, because both Communism and Fascism are social titanisms. Man is liquidated in society. He is made to devote himself to super-personal ends for the greater glory of the communist society. But when man finally ceases to exist as an independent entity, the society he is out to build up will also come to an end. This is a deep contradiction in itself. Considering all these points it is tempting to conclude that the Islamic principle of social system, of which principle of pure religion a part has got its appeal to humanity of all ages. Many of the social malices of the present world of conflicting ideologies are bound to disappear if we implement the universal principles of Islam into our socio-economic systems. Dennis Saraut in his *History of Religions* writes, "Mohammadanism is not unequipped for survival in the modern world.

Its great principles are simple and rational." But the fundamental problem before the Muslim States is how to implement these "great principles" into the existing social set-up based on exploitation in varying degrees.

Chapter IV

CONSUMPTION AND PRODUCTION IN ISLAM

1. Principle of Consumption in Islam
2. Islamic Instructions on Food
3. Waste and Islamic Order of Priorities
4. Principles of Production - Economic Welfare
5. Concept of Private Ownership in Islam
6. Conclusion

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(Fast) a certain number of days ; and (for) him who is sick among you, or on a journey, (the same) number of other days ; and for those who can afford it, there is a ransom : the feeding of a man in need — but whoso doeth good of his own accord, it is better for him ; and that ye fast is better for you, if ye did but know.

—*al-Qur'ān*, ii. 184

Muslim Law brands as a form of squandering any consumption of wealth not required by real use. In its eyes, prodigality is a form of mental disease. It insists on moderation. . . .

—D. de Santillana, *The Legacy of Islam*

1. Principle of Consumption in Islam

Consumption is to demand as production is to supply. The consumer's wants, present and anticipated, are the chief incentive for his own economic activities. They may not only absorb his income but also give him an incentive to increase it. This implies that the discussion of consumption is primary and that only as economists demonstrate an ability to understand, and explain the principles of both production and consumption, can they be considered competent to develop the laws of value and distribution or almost any other branch of the subject. The difference between modern and Islamic Economics in respect of consumption lies in its approach towards satisfaction of one's wants. Islam does not recognise the pure materialistic bent of the modern pattern of consumption.

The higher we go in the ladder of civilisation, the more overshadowed become our physiological wants by psychological factors. Artistic taste, snobbish limitation, exhibitionist impulses — all these factors play a more and more dominant role in determining the concrete outward form of our physiological wants. In a primitive society, consumption is very simple, because wants are also very simple. Modern civilisation, however, has destroyed the sweet simplicity of our wants. The materialistic civilisation of the West seems to take a peculiar delight in making our wants more and more varied and numerous and a man's economic well-being is almost sought to be measured by the varied character of his wants which he tries to satisfy by means of special efforts. This outlook on life and progress is in striking contrast to the Islamic conception of values. The ethics of Islamic Economics sought to reduce man's present excessive material needs in order to release human energy for spiritual pursuits. Inner development, rather than outward expansion, was held out to be man's highest ideal in life. The modern Western spirit, while not deprecating the need for inner perfection, however, seems to have shifted the emphasis to the amelioration of the material conditions of life. Progress now means higher and higher standards of living which imply a progressive enlargement of wants, increasing discontent and dissatisfaction with things as they are and a

passionate yearning after higher and higher levels of consumption. From the modern point of view, then, the progress of a community is judged by the character of its material wants.

2. Islamic Injunctions on Food

With this general statement, we may now proceed to a further analysis of Islamic injunctions on consumption which, I am afraid, are guided by five principles :

- (i) Principle of righteousness
- (ii) Principle of cleanliness
- (iii) Principle of moderation
- (iv) Principle of beneficence
- (v) Principle of morality

The first rule regarding consumption is contained in this verse of the Holy Qur'an : "O men, eat the lawful and good things out of what is in the earth" (ii. 168). This condition carries the double significance of earning lawfully and not having been prohibited by law.

In the matter of food and drink the prohibitions are : blood, the flesh of an animal that has died of itself, the flesh of swine, and the flesh of an animal on which the name of other than Allah has been invoked meaning thereby sacrifices made to idols or other gods, and offerings to saints or any being other than Allah (ii. 174 ; v. 4). The first three categories are prohibited because they are harmful to the body, and that which is harmful to the body is necessarily harmful to the spirit. The last prohibition relates to something which is directly harmful morally and spiritually, inasmuch as it amounts to association of others with God. A relaxation is made in the case of a person who is driven by necessity and to whom no other means of sustenance and nourishment is for the time available. He may partake of a prohibited article of food, using only that much which he considers necessary for his immediate need.

The second condition laid down both in the Holy Qur'an and the Sunnah regarding food is that it should be good or fit for eating, not unclean or such as offends the taste. Therefore, not all that is permissible may be used as food and drink in all circumstances. Of all that is permissible only that may be used as food and drink

which is clean and wholesome. The tradition of the Prophet (be peace on him) also runs that cleanliness in all respects is half of our "Imān". Salmān reported, the Messenger of Allah (be peace on him) said : "The blessing of food is washing of hands before it and washing of hands after it" (Tirmidhī ; *Mishkāt*, 20). Moreover, the Prophet has instructed that drink and food must not be blown into and must be covered. It is related on the authority of Abū Qatādah who said : The Messenger of Allah (be peace on him) said, "When one of you drinks, he should not blow into the vessel" (Bukhārī, 4 : 18).

Again, Jābir reported Abū Humaid brought a cup of milk from Naqī. The Messenger of Allah (be peace on him) said to him, "Why didst thou not cover it ? Thou shouldst have placed a piece of wood on it" (Bukhārī, 74 : 11). Again, it is related on the authority of Jābir who reported : The Messenger of Allah (be peace on him) said : "When you go to sleep, put out the lamp and shut the doors and cover the food and drink" (Bukhārī, 74 : 21). In the light of these ḥadīths the importance of cleanliness can hardly be overestimated.

The third principle governing the conduct of man in respect of food and drink is moderation which also implies that no food should be used to excess. The Qur'an says : "And eat and drink and be not immoderate, for He does not love the immoderate" (vii. 31). Again : "O you who believe ! do not forbid yourself the good things which Allah has made lawful for you, and do not exceed the limits" (v. 87).

The significance of these verses lies in the fact that as underfeeding affects the build-up of mind and body, so does also the overloading of the stomach. Self-denying practices by which a man deprives himself of certain kinds of food are expressly denounced in Islam.

The fourth principle is the principle of beneficence. Thus, subject to Islamic injunctions there is neither harm nor sin in eating and drinking of the good things provided by God out of His beneficence, so long as the objective is that life may be sustained and health promoted for the purpose of carrying out God's will through firm faith in the guidance that He has provided, and righteous action in accordance therewith, which ensures con-

formity to all His commandments (v. 94). Here, then, is a gradation which is elastic and takes account of the immediate as well as the ultimate purpose of food and drink. That which is on the whole harmful is prohibited altogether.

An intoxicant cannot, therefore, be used even in small quantities unless, of course, it is used as a medicine to save life, for which purpose the Holy Qur'ān expressly allows the use of prohibited foods : "Whoever is driven to necessity not desiring nor exceeding the limit, no sin shall be upon him" (ii. 173 ; vi. 136).

The last, not the least, principle regarding consumption is the condition of morality. Not only the immediate purpose of food and drink but also the ultimate purpose, namely, the promotion of moral and spiritual values, must be kept in view. A Muslim is taught to start taking food with the mention of the name of Allah and to give thanks to Him after having finished it. He thus feels the Divine presence when satisfying his physical desires. This is significant because Islam stands for happy blending of material and spiritual values of life.

All intoxicants are also prohibited. It is recognised that some people may derive some pleasure or advantage from the use of liquor or other prohibited articles, but such use is prohibited because the harm that it might do is greater than any pleasure or advantage that might be derived from it (ii. 220). The prohibition, however, is clear and total (v. 91). The Qur'ān points out that indulgence in liquor tends to create dissension and enmity and that people who indulge in it are liable to neglect prayer and the remembrance of Allah (v. 92).

Again, in the month of Ramādān, during the period of fasting there is abstention even from that which is lawful and permissible food and drink, which sustains life, and marital intercourse, which promotes the continuance of the species. It is a symbolical pledge or covenant that a worshipper enters into, signifying that if in the course of his duty of submission to the will of God he should be called upon to put his life in jeopardy or to sacrifice the interests of his progeny, he would not hesitate to do so.

3. Wants and Islamic Order of Priorities

It is customary to classify human wants under three headings:

necessaries, comforts and luxuries.

"Necessaries" usually include all things required to meet wants which must be satisfied.

"Comforts" may be defined as commodities the consumption of which adds to the deficiency of the worker but not proportionately to the costs of such commodities.

Lastly, "luxuries" refer to commodities and services the consumption of which does not add to one's efficiency and might conceivably diminish it. Costly dress and ornaments, expensive motor cars, costly furniture, palatial buildings, a large array of domestic assistants and retainers—all these constitute luxuries for most people.

Now the question arises as to the order of priorities of wants in an Islamic State and whether an Islamic State should encourage the production of luxury goods under the present scheme of circumstances.

As regards the order of priorities, the Islamic injunction on food and drink should be the guiding principle which has already been discussed in some detail. As to the second question, whether an Islamic State should encourage the production of luxury goods under the present capitalistic social framework of the Muslim countries, our answer will have a relative validity. One school of thought opines that Muslim States, even under the present circumstances, cannot encourage the production of luxury goods simply because consumption of luxuries is economically wasteful and its consumption does not add to one's efficiency and may rather diminish it in certain circumstances.

Viewed positively, it is, they say, socially injurious in that it absorbs many factors of production in wasteful occupations which, if they could be released from their present employment, might help to add considerably to the stream of useful goods and services.

The above line of reasoning, however, is not as sound as it seems to be. It neglects the vital fact that all employment depends upon the state of Effective Demand and that it is impossible to add to the existing stream of necessities and comforts unless steps are first taken to divert the surplus purchasing power now in the hands of the few rich into the pockets of the many

poor. The mere prohibition of the production and consumption of luxury goods, unaccompanied by a scheme of planned redistribution of wealth and income, is not at all likely to ease down the economic problem for the masses. It is more likely to add further and distressing complications. At present, under the capitalistic system of almost all the Muslim countries a disproportionately large part of the total volume of purchasing power remains concentrated in the hands of the rich. The demand for luxury goods on the part of the rich is thus a big constituent of the total Effective Demand for society as a whole. If, therefore, the consumption of luxury goods is prohibited,—and nothing is done to make the rich less rich and the poor less poor—unemployment is bound to ensue on a large scale and the poor would become poorer still. If the consumption and, therefore, the production of luxury goods ceased altogether, the released factors of production would just swell the existing volume of chronic involuntary unemployment; they would not find their way to new and more useful channels of employment. The traditional view that the “released” factors of production would be automatically absorbed in more useful lines of employment rests on the assumption of perpetual or at least long-run Full Employment, an assumption for which there is apparently no empirical justification.

It follows that the consumption of luxury goods is not altogether economically wasteful. Its validity is relative only to the existing capitalistic structure of Muslim countries characterised as it is by glaring inequalities of wealth. In almost all the under-developed Muslim countries monopoly element is in existence in a varying degree in almost all sectors of the economy. Therefore, if the economic order is changed and a more equalitarian system of economic society based on Islamic values is established, the factors of production, at present employed in luxury goods industries, would be automatically diverted to the production of useful commodities for which the Effective Demand will then be very high.

To my mind, prohibition of consumption of luxury goods in the Islamic economic system need not be necessary simply because nobody will find it worthwhile to produce such items for which no market exists. But it is the duty of the Muslim countries

to create an environment where a deep sense of moral responsibility develops among the people. In the transitional period Muslim countries may, if need be, take some coercive measures in the larger interests of the society as a whole.

4. Principle of Production : Economic Welfare

The basic principle of consumption already explained must be reflected in the productive system of an Islamic State. Because production means creation of utilities, just as consumption is the destruction of the same. Production does not imply the physical creation of something out of nothing, since nobody can create matter. All that man can do to make things useful and serviceable is said to be “produced” in the economist’s sense. Now, we may confine ourselves to the discussion of the principle of production very briefly.

The fundamental principle which is to be kept in view in the process of production is the manifestation of the principle of Economic Welfare. Even in the capitalistic system there is a cry for production of goods and services based on the principle of Economic Welfare. The uniqueness of the Islamic concept of Economic Welfare lies in the fact that it cannot ignore the broader considerations of the general welfare which involves in the question of morality, education, religion and many other things. In modern Economics, Economic Welfare is measured in terms of money. As Professor Pigou says: “Economic welfare may be defined roughly as that part of welfare that can be brought in relation with the measuring rod of money.” Since modern Economic Welfare is materialistic in character, it is necessary to limit the scope of the subject-matter of the same.

In doing this we are naturally attracted towards that portion of the field in which the methods of science seem likely to work to the best advantage. This they can clearly do when there is present something measurable, on which analytical machinery can get a firm grip. The one obvious instrument of measurement available in social life is money. Hence, the range of our inquiry becomes restricted to that part of social welfare that can be brought directly or indirectly in relation with the measuring rod of money. This part of welfare may be called Economic Welfare

(Pigou). Under the Islamic system of production the concept of Economic Welfare is used in a mere comprehensive manner. To me, the Islamic concept of Economic Welfare consists in the increasing of income resulting from the increase of production of only beneficial goods through the maximum utilisation of resources—both human and material—as well as through the participation of the maximum number of people in the productive process. Thus, improvement in the productive system in Islam implies increase not only in income which can be measured in terms of money but also improvement in maximising our satisfaction at minimum efforts keeping in view the injunctions of Islam on consumption. Thus in an Islamic State the mere increase in the volume of production will not ensure the maximum welfare of the people. The quality of the goods produced subject to the injunctions of the Qur'ān and the Sunnah must be taken into account in determining the nature of Economic Welfare. We should also take into account the unsatisfactory results which would ensue in connection with the economic development of forbidden food-stuffs and drinks. The prohibition of alcoholic drinks—sometimes mitigated, since the Hanafites tolerate alcohol and limit the prohibition of wine—has, however, had considerable repercussions on the culture of the grape-vine. In fact, in all the regions subject to the political control of Islam the high-quality vineyards disappeared. Grape-vine culture became essentially an occupation of the hill or mountain people. It became more or less absorbed into the Mediterranean polyculture and the local way of life, but it could never produce enough for regular normal export. From the plains it retreated into the mountains, from the fields to the gardens. Therefore, attempts should be made to produce goods as cheaply as possible and exploit resources—both material and human—so that full employment of the same can be achieved. Because wastage of resources in any form is condemned in Islam. Lastly, an Islamic State will not merely be interested in increasing the volume of production but also in ensuring participation of the maximum number of people in the productive process. In modern capitalistic countries we find gross inequalities of income simply because the method of production is controlled by a few capitalists. Even many Muslim countries of the world are not

free of this criticism. It is the duty of every Muslim State to take all reasonable steps for the reduction of inequality of income resulting from concentration of productive powers into a few hands. This has been sought to be done through (a) adoption of the system of progressive taxation of incomes, (b) levy of death-duties on inherited properties at progressive rates, and (c) distribution of the proceeds of the taxes, mainly collected from the richer classes via the provision of social services among the poorer sections of the community.

To sum up, the productive system in an Islamic State must be guided by both objective and subjective criteria; the objective criteria will be reflected in the form of welfare which can be measured in terms of money, and subjective criteria in the form of welfare which can be measured in terms of the economic ethics based on the injunctions of the Holy Qur'ān and the Sunnah.

5. Concept of Private Ownership in Islam

The uniqueness of the Islamic concept of private ownership lies in the fact that in Islam the legitimacy of ownership depends on the moral sign attached to it, just as that of a mathematical quantity depends on the algebraical sign attached to it. Here, again, Islam proves superior to Capitalism and Communism, as neither of them has succeeded in harmoniously setting the individual in a social mosaic. Private property is the life-blood of Capitalism. Its abolition is the blazing kernel of the socialistic creed. Unrestricted ownership of property under Capitalism can hardly escape censure for being responsible for the very gross maldistribution of wealth and income. Because the actual course of economic development, almost everywhere under Capitalism, has increased the power and influence of gigantic trusts, cartels and monopolies. This unrestricted ownership has made the rich richer and the poor poorer. Here we find sovereignty of the consumers, the tyranny of the price system and quest for profits. Thus Professor Harold Laski, a noted British political scientist, has rightly observed :

The present system of capitalistic production stands condemned from almost any angle of analysis. It is psychologically inadequate because for most, by appealing mainly to the motive

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of fear, it inhibits the exercise of those qualities which make for rich life. It is morally inadequate also, for it confers rights upon those who have done nothing to earn them and where these rights are related to efforts; this, in turn, has no proportionate relevancy to social value. It makes a part of the community parasite upon the rest; and it deprives most of the opportunity to live on a human plane of existence. It is also economically inadequate because it fails so to distribute the wealth it creates as to offer the necessary conditions of right living to those dependent on its processes.

Again, Communism which has been organised on the basis of collectivism or State-ownership of everything believes in the liquidation of private property. While totalitarian planning guided by the concept of ownership of collectivism can help remove unemployment, maldistribution and many other shortcomings of Capitalism, it is not free from certain limitations of a serious character, which revolve round the issue of incentives and the issue of personal liberty. Under Communism the actual course of economic development has reduced man to a machine. Similarly, Fascism ensures a bare livelihood to the individual, but it first destroys his independent entity by merging him in demoniacally mechanised national whole. The individual has to pay a heavy price for "the mess of pottage". The communists live for the "Proletariat" and the fascists for the "nation". They are symptoms of the same disease. But Islam maintains a balance between the exaggerated opposites not merely by recognising private ownership but also by securing the widest and most beneficent distribution of wealth through institutions set up by it and through moral exhortation. This will be clearer if we explain the fundamental rule as well as eight specific rules of the Shari'ah concerning the right of private ownership of property and the method of use of the same.

Basic Rule. The Qur'an, the basis of all Islamic laws, categorically states that absolute ownership of everything belongs to Allah alone (iii. 190). Man is simply the vicegerent of Allah on earth. This absolute ownership does not mean that Allah has created everything for Himself. The Qur'anic verse: "It is He Who created for you all things that are on earth" (ii. 29) is pregnant with great significance. It emphasises that what Allah has created belongs collectively to the whole human society. Legal ownership by the individual, "that is to say, the right of posses-

sion, enjoyment and transfer of property is recognised and safeguarded in Islam, but all ownership is subject to the moral obligation that in all wealth all sections of society, and even animals, have the right to share (li. 20). Part of this obligation is given legal form and is made effective through legal sanctions, but the greater part is secured by voluntary effort put forth through a desire to achieve the highest moral and spiritual benefits for all concerned. In fact, this supplementing of legal obligations which secure the irreducible minimum with moral obligations to be discharged through voluntary effort runs through every part of the Islamic society."

Eight Rules of the Shari'ah. Let us now discuss in some detail the eight rules of the Shari'ah governing private ownership of property.

The first rule laid down by the Shari'ah is that the non-use of property is not allowed in Islam. The Prophet (be peace on him) is reported to have said that "the person who seizes land belonging to nobody would cease to have any right to such land if he did not reasonably exploit it after three years of possession." This doctrine of ownership gathered momentum during the reign of the great Caliph 'Umar who is said to have taken back some of the lands which the Prophet (be peace on Him) had given to Bilal ibn al Hārith simply on the ground that he (Bilal) did not utilise all lands given by the Holy Prophet. Thus, impetus is given to the cultivation of wasteland. 'Ā'ishah reported, the Prophet (be peace on him) said, "Whoever cultivates land which is not the property of anyone has a better title to it" (Bukhārī, 41 : 15).

The wisdom of this policy is quite obvious even today, because in many Muslim countries vast tracks of agricultural land have remained uncultivated or unutilised for years mainly because of bad land tenure system which has encouraged the growth of landlordism or the like. Since the non-use of property is wasteful and impoverishes the owner as well as the community as a whole, the Islamic State can intervene and deprive them of ownership to the extent of land remaining unutilised. The State would pay compensation for this dispossession only where property was acquired by lawful means, not wrongfully. If this policy is adopted, there might be an increase in

agricultural production as a result of extensive cultivation. The food problem which is a standing puzzle for all the Muslim countries of the world may be solved to a great extent.

The rule about continuous utilisation of property also applies to the method of utilisation. The teachings of Islam require that whoever undertakes a task must perform it in the best possible manner. If the owner utilises the property in a wasteful and unproductive manner or if the people concentrate on acquiring a particular type of property to the neglect of other types of property, industry or investment, or if there has been an unduly heavy concentration of wealth in the hands of a small section of the people to the detriment of the community as a whole, the Islamic State has the right to intervene to secure a balance of economic interests and activities. It is reported about Abū Umāmah that he said, when he saw a plough and some other agricultural implements : "I heard the Prophet (be peace on him) say : This does not enter the house of a people but it brings ingloriousness with it" (Bukhārī, 41 : 2). Here Maulānā Muḥammad 'Alī observed, "This ḥadīth, therefore, implies that a nation which gives itself up entirely to agriculture neglecting other lines of development cannot rise to a position of glory." Islam stands not only for balanced growth but also for balanced distribution of wealth. In fact, the object of the Islamic economic system is to secure the widest and most beneficent distribution of property through institutions set up by it and through moral exhortation. Wealth must, according to the Holy Qur'ān (lix. 8), remain in constant circulation among all sections of the community and should not become the monopoly of the rich. The general rule is that property should be used at all times and used in a rightful way for one's own benefit as well as for the benefit of the community.

Payment of Zakāt. The second rule of the Shari'ah in regard to the conduct of the owner of private property is that he must pay Zakāt in proportion to the property owned. "Gold, silver, currency of any kind, agricultural produce, cattle, trading enterprises and everything owned by a man during his life is 'property' for the purpose of Zakāt. And everyone who does not have enough to satisfy basic needs, who cannot work, is 'poor and needy' for the purpose of Zakāt. And, finally, all that is directed to the

benefit of the Muslims as a whole and not solely towards the satisfaction of personal needs is 'in the cause of God' for purposes of Zakāt" (Maḥmūd Shaltūt, *al-Qudāh wa-al Sharī'ah*).

As a matter of fact, the categories of property defined in the early days of Islam should not be accepted as final. The reason is that the forms of property known in modern times are in many ways different and much more complicated and subtle than those known fourteen hundred years ago. The problem has been carefully studied by a group of eminent Islamic jurists in a comprehensive report on social solidarity in the Arab world which was presented in a meeting organised by the Arab League held in Damascus in December 1952. The view is held that Zakāt would now be due on all kinds of property not known in the early days of Islam. Such things as industrial machinery, bank notes, profits of professions and trades and rents would now be subject to Zakāt. Without going into details it can be said that the Arabia of fourteen hundred years ago and the world of today offer us a fundamental change in the socio-political and socio-economic pattern of society. So there is no reason to believe that items taxed and rates charged were meant to be unchangeable with the changing circumstances as the door of Ijtihād is never closed in Islam. One school of thought held the view that the rate of Zakāt cannot be changed as it has been fixed by the Apostle of Allah himself. But if we look to the spirit of Zakāt, there is not the least difficulty in concluding that in fixing the rate of Zakāt the Islamic State may introduce the element of elasticity to face the inflationary tendencies of the economy. If the exchange value of the existing rate of Zakāt is reduced to zero, Zakāt will lose its significance in bringing an element of socialism in society.

Beneficent Use. The third rule in regard to the conduct of the owner of private property gives emphasis to the beneficent use of property which means utilisation of wealth "in the way of God," which, in its turn, means all causes beneficial to the community as a whole and conducive to its prosperity and welfare. The object of beneficent use of property has so many aspects that they can be better appreciated in the juxtaposition in which the Qur'ān puts them. The following excerpts contain the whole philosophy of spending, giving and using property on which no detailed com-

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mentary is necessary :

(a) The similitude of those who spend their wealth for the cause of Allah is like the similitude of a grain of corn which grows seven ears, in each ear a hundred grains. Allah multiplies even more for whomsoever He pleases. Allah is Bountiful, All-Knowing (ii. 261).

(b) Whatever of wealth you spend it is to the benefit of your own selves, while just spend not but to seek the favour of Allah. Whatever of wealth you spend, it shall be paid back to you in full and you shall not be wronged.

(c) Those who spend their wealth by night and day secretly and openly, have their reward with their Lord; on them shall come no fear, nor shall they grieve (ii. 262, 269, 272-275).

A similar sentiment is expressed in several other verses of the Qur'ān, and the Sayings of the Prophet (be peace on him) emphasise this theme. Now, what is beneficial to the community is relative to the needs of the community and this changes with changing circumstances. Therefore, it is difficult to lay down any hard and fast rules in this regard. Time was when Zakāt used to meet all the requirements of the society, specially during the time of the Holy Prophet (be peace on him), but now-a-days we require more than the Zakāt revenue. Because, due to complexity of modern life the concept of welfare is changing with the changing values of life. What is more important for us is not to discourage this changing attitude towards life, but to welcome this change which is consistent with the basic spirit of Islam. Therefore, the beneficent use of property cannot initially be interpreted as implying an obligation to spend a specific portion of property on the welfare of the community. The obligation can never be absolute; it is always relative to the needs of the society and values of life. To my mind, the best way of the utilisation of property "in the way of Allah" is to formulate such a fiscal policy which ensures levying from rich people that what is their just contribution and using the proceeds for the promotion of the public good. True it is that the Muslim world is poor and backward. Therefore, utilisation of property "in the way of Allah" is highly significant because this is, I am sure, one of the basic conditions by which the Muslim community can prosper. If the Muslim States of the world want to achieve the goal of "Welfare State" in the true sense of the term, the leaders who are at the helm of affairs of the Muslim world

must assure that their countries' wealth and resources are all used for beneficent purposes.

Harmless Use. Fourthly, when Islam gives emphasis to the beneficent use of property it imposes upon the owner of property the duty not to use it in such a way as to cause harm to others or to the community. Absolute ownership of everything belongs to Allah; every individual, rich or poor, has the inherent right to use it. Therefore, where harm is done to others, this would be aggression which is forbidden. The Holy Qur'ān says: "And fight in the way of God those who fight against you, but be not aggressive. Surely, Allah loves not the aggressors" (ii. 190). There are several other verses in the Holy Qur'ān in a similar vein, and the traditions and sayings of the Prophet (be peace on him) also emphasise this theme. Thus Abū Hurairah reported, the Messenger of Allah (be peace on him) said: "Excess of water should not be withheld, arresting thereby the growth of herbage" (Bukhārī, 42 : 2). The significance of this ḥadīth lies in the fact that without water there would be no herbage, hence owners of land situated on water courses are required to allow the flow of excess water to other people's land or even to barren tracts which would thus become grass fields for cattle. This is a reminder as well as a warning to those who do not allow water to pass on to others when their needs are satisfied. In fact, the Muslims were required to be very scrupulous in matters of other people's right to land. Ibn 'Umar reported, the Prophet (be peace on him) said, "Whoever takes any part of land without having a right to it he shall be, as a punishment for it, sunk down into the earth on the Day of Resurrection to the depth of seven earths" (Bukhārī, 46 : 13).

Now-a-days in many Muslim countries we find that freedom of ownership appears to have resulted in some cases in an unduly heavy concentration of property in the hands of a few persons. It is certainly a state of affairs which the proper application of the teachings of Islam would not permit. Therefore, the government in a Muslim country should take active steps to prevent undue concentration of wealth in the hands of the few either by progressive taxation or by legislation. There is no hard and fast rule about it, yet the guiding principle must be that property should not be made the special prerogative of a privileged few. The Islamic

Law gives preference to the greater right of the community. The jurist Ibn al-Qayyim says on the subject: "If one contemplates over the laws which the Almighty has ordained for His creatures, one finds that they are all designed to ensure a balance of benefits, and that where there is a conflict, preference is given to the more important as against the less important. The laws also seek to prevent the infliction of harm, but where harm is inevitable the lesser of the evils is preferred. These are the principles implicit in the laws of God, which eloquently speak of His wisdom and compassion" (*Miftāḥ al-Sa'ādah*, p. 350). The basis of this rule is the maxim of "no harm is allowed whether the doer benefits from it or not," which is a saying of the Prophet (be peace on him). Many subsidiary rules have been formulated upon this principle. The Muslim jurists have explained the distinction between the various types of harm, e.g. harm that befalls the entire community, harm that is intentional, harm that is not intentional, harm of a serious nature, harm of a minor nature, harm that is inevitable, harm that is very probable, etc. In all cases a balance is sought between the various interests, and the predominant intention is to promote benefits and prevent harm (see on this *al-Muwāfaqat* by al-Shāṭibī, Vol. II).

Islam promotes this basic moral conscience by inculcating the fear of God which in practice means scrupulous avoidance of anti-social behaviour in all shapes and forms. The charter of human brotherhood outlined in the Holy Prophet's Farewell Address is far superior to the one envisaged in the Communists' Manifesto. The great emphasis that Islam has laid on the social responsibilities of an owner of property has fascinated Western thinkers of whom Professor Massignon writes:

Islam has the merit of standing for a very equalitarian conception of the contribution of each citizen by the title to the resources of the community. It is hostile to unrestricted exchange to banking capitals, to state loans, to indirect taxes on articles of prime necessity but it holds to the right of the father and the husband to private property and to commercial capital. Here again it occupies an intermediate position between the doctrine of capitalism and Bolshevik communism.

Lawful Possession. The fifth rule governing the conduct of the owner of property is contained in the Holy Qur'ān (iv. 30) in

which all such unlawful means of acquiring property are prohibited as those in the end destroy a people. Acquisition of property or goods through falsehood falls in the same category. It is equally unlawful to seek to establish a title to property by obtaining judgment through corrupt means like bribery or false evidence (ii. 189). Since society is drifting towards materialism, many people resort to such devices as cheating, monopoly and usury for the purpose of increasing wealth. The Sharī'ah gives the State full powers to punish dishonest activities. As regards monopoly, Islam provides that property hoarded or monopolised would be punished because it puts wealth out of circulation and deprives the owner as well as the rest of the community of its beneficent use (ix. 34). The jurist Abū Yūsuf (731-98 C.E.), a companion of Imām Abū Ḥanīfah, founder of the Ḥanafī school of thought, says: "If the withholding of anything from the public would harm it, then that act is wrongful, whether the commodity be gold or silver. He who hoards such commodities abuses his right of ownership. Whatever would harm the community, if withheld from it, should not be withheld. The hoarding of cloth is just as harmful as the hoarding of food. The reason for the prohibition of hoarding and monopoly is that harm should not befall the community. The community would suffer from the hoarding and monopoly of food as from the hoarding and monopoly of clothes. The community has various needs, and suppressing any of these needs would be wrongful."

Balanced Use. The sixth rule of the Sharī'ah in regard to the conduct of the owner of private property is that he should use the property in a balanced way. That is, the owner of the property should be neither prodigal or parsimonious in its use. The Qur'ān says: "And make not thy land to be shackled to thy neck, nor stretch it forth to the utmost limit of its stretching forth, lest thou sit down balanced, stripped off" (xvii. 29).

Again, the Holy Qur'ān says (iv. 36-37):

For God loveth not,
The arrogant, the vainglorious;—
(Nor) those who are niggardly
Or enjoin niggardliness on others,
Or hide the bounties
Which God hath bestowed

On them ; for We have prepared,
For those who resist Faith,
A Punishment that steep
Them in contempt.

This is how Islam maintains a balance in the use of property. As regards prodigality, it can be said that goods and property lawfully acquired are a bounty of Allah which is provided by Him as a means of support. They should be properly looked after and should not be wasted through neglect. A person of defective judgment should not be allowed to squander away his subsistence. It should be managed and administered for him, and provision should be made for his maintenance out of the income (ix. 6). The duty of making such provision should normally appertain to the community or to the State. Prodigality does not necessarily mean wickedness or grave irresponsibility which does not harmonise with the prevailing needs of the community.

As regards parsimony, on the other hand, it must be admitted that some people, instead of putting their property in beneficent use in the service of their fellow-beings, have a tendency of holding back, not realising that holding back renders a person progressively poorer in the true sense of the term inasmuch as he stultifies his faculties, and, by putting that which he possesses out of service and out of circulation, renders it completely barren and unfruitful. The Holy Qur'ān has repeatedly prohibited people from parsimonious holding back. For instance, the Qur'ān says, "Behold, you are those who are favoured by being called upon to spend in the way of Allah ; but of you there are some who hold back, yet who so holds back does so only to the prejudice of his own soul. It is Allah Who is All-Sufficient and it is you who are needy" (lvii. 39). Though it is difficult to exercise effective control on it, yet one way of preventing undue parsimony is to impose heavy progressive taxes, which might induce the parsimonious that it is not worthwhile to be too niggardly. Where parsimony becomes tantamount to the hoarding or monopoly of essential commodities, the State has every right to curb it either by legislation or by direct action.

Due Benefits. The seventh rule of the Shari'ah gives emphasis to the use of property for the purpose of securing for the owner due benefits. It must be admitted that in practice many people

utilise their property for securing for themselves undue special benefits in political and economic spheres to the neglect of the larger interests of the community. This is obviously against the spirit of Islam. In many Muslim and Western countries, despite the removal of property qualifications for the franchise, it remains possible for the wealthy to secure for themselves special advantages in the political and governmental spheres. "Money seems capable of persuading people to vote one way or the other, and of dissuading them from doing certain things. The control exercised by the wealthy minority over the main sources of the economy often leads to pressure being exerted to procure selfish advantages in politics and government. In Islam the State must ensure that property is never used for the attainment of such selfish objectives. The law would guarantee economic, social and political freedom and not subject it to financial control."

The last rule of the Shari'ah gives emphasis on the interests of the living. Since the question of control and distribution of property after death of the owner does not arise, the due interests of the living will have to be secured by putting the Islamic laws of inheritance into practice.

Considering all these factors it may be repeated that the uniqueness of the Islamic concept of property lies in the ethical and moral injunctions attached to it—injunctions which provide opportunities for Muslim States to regulate the concept of private property. The religion of Islam contains principles which, if properly understood and applied, can be the best possible solution to the evils of both Capitalism and Communism and ensure happiness and property, order and justice.

6. Conclusions

(1) Islam does not recognise the pure materialistic bent of modern pattern of consumption. The rationale of consumption pattern in Islam is to reduce man's present excessive physiological wants arising from the artificial psychological factors in order to release human energy for spiritual pursuits.

(2) The Islamic injunctions on consumption are guided by the following principles :

(a) Principle of righteousness

- (b) Principle of cleanliness
- (c) Principle of moderation
- (d) Principle of beneficence
- (e) Principle of morality

(3) Generally, human wants are classified under three headings : (a) Necessaries, (b) Comforts and (c) Luxuries. As for the order of priorities, the Islamic injunctions on consumption should be the guiding principles mentioned above. It is very difficult to give a categorical answer whether or not the Islamic State should encourage production of luxurious goods. To our mind, the mere prohibition of the production and consumption of luxury goods unaccompanied by a scheme of planned redistribution of wealth and income is not likely to ease down the economic problem of the masses. What is needed is to establish a more equalitarian system of society based on the Islamic code of life.

(4) We have already mentioned that the productive system in an Islamic State must be guided by both objective and subjective criteria : objective criteria to be measured in material welfare, subjective criteria to be reflected in the welfare which should be judged in the light of the economic ethics of Islam.

(5) The Islamic concept of private ownership is unique in the sense that absolute ownership of everything on earth and heaven belongs to Allah alone (iii. 190). Man is simply the vicegerent of Allah on earth. Generally speaking, there are eight rules of the Shari'ah governing private ownership of property. They are :

- (a) continuous utilisation of property ;
- (b) payment of Zakāt in proportion to the property owned ;
- (c) beneficent use of property ;
- (d) use of property without causing any harm to others ;
- (e) lawful possession of property ;
- (f) use of property not in a prodigal or parsimonious way ;
- (g) use of property for the purpose of securing for himself due benefits ; and
- (h) rightful application of the Islamic law of inheritance.

Chapter V

FACTORS OF PRODUCTION

1. Land as a Factor of Production: Its Cultivation
2. Land Tenure System in Islam—'Umar's Land Tenure System, Land Reforms in Pakistan : An Appraisal
3. Population Control and Family Planning in Islam with Special Reference to Pakistan
4. Place of Capital in Islamic Socio-Economic Set-up
5. Modern Labour-Capital Relationship and Islam
6. Conclusions

Appendix : Some Fatwās on Family Planning

He (Allah) it is Who sendeth down water from the sky, whence ye have drink, and whence are (grown) trees on which ye send your beasts to pasture.

Therewith He causeth corn to grow for you, and the olive and the date-palm and grapes and all kinds of fruit. Lo! herein is indeed a portent for people who reflect.

And He hath constrained the night and the day and sun and the moon to be of service unto you and the stars are made subservient by His command. . . .

And if ye would count the favour of Allah, ye cannot reckon it. Lo! Allah is indeed Forgiving, Merciful.

—*al-Qur'ān*, xvi. 10-18

Mohammadanism is not unequipped for survival in the modern world. . . .

—Dennis Saraut, *History of Religions*

1. Land as a Factor of Production : Its Cultivation

Islam has recognised land as a factor of production not exactly in the sense it is used in modern times. In classical writings land, which was regarded as an important factor of production, includes all the natural resources used in the process of production, e.g. the surface of the earth, the fertility of soil, properties of air and water and mineral resources, etc. True, there is no evidence to prove that Islam does not approve of this definition of modern Economics. While Islam recognises land as a factor of production, it recognises the creation of only those utilities which can maximise the economic welfare of the community—a welfare which takes into account the basic principles of economic ethics. The Qur'anic Law and the Tradition of the Prophet are clear about it. The method of utilisation of land as a factor of production in Islam is unique in the real sense of the term.

Both the Qur'ān and the Sunnah lay much emphasis on the proper cultivation of land. Thus the Holy Qur'ān draws attention to the necessity of turning wasteland into gardens by making arrangements for watering it, and growing good crops. The Qur'ān says : "Do they not consider that We drive the water to a land having no herbage, then We bring forth thereby seed produce, of which their cattle and they themselves eat" (xxxii. 27). We have evidences to indicate that impetus is given to the cultivation of wasteland. It is related on the authority of 'Ā'ishah who reported the Prophet (be peace on him) to have said : "Whoever cultivates land which is not the property of anyone has a better title to it" (Bukhārī, 41 : 15). Since Islam recognises the non-cultivator ownership of land, it is allowed to let it to another person for cultivation for a part of the produce or for money, but it is at the same time recommended that a person who can afford it should give land free of rent to some of his poor brethren.

Ibn 'Umar reported the Messenger of Allah (peace and blessings of Allah be on him) granted (the lands of) Khaibar to the Jews on condition that they worked thereon and cultivated them and they should have half of the produce (Bukhārī 41 : 11). Again, it is related on the authority of Rafi' who reported : They

used to have land cultivated in the time of the Prophet (peace and blessings of Allah be on him), taking what grew on the water-courses or anything which the owner of the land reserved for himself. So the Prophet (peace and blessings of Allah be on him) forbade this. I (the reportor) said to Rafī', 'How is it if it is done on payment of dīnārs and dirhams?' Rafī' said, 'There is no harm in taking dīnārs and dirhams' (Bukhārī, 41 : 19).

'Amr said : I said to Ṭāwūs, 'Thou shouldst give up Mukhab-rah for they say that the Prophet (peace and blessings of Allah be on him) forbade it. He said, '... Ibn 'Abbās informed me that the Prophet (peace and blessings of Allah be on him) did not forbid this but he only said : "If one of you gives it as a gift to his brother, it is better for him than that he takes for it a fixed payment" ' ' (Bukhārī, Muslim, and *Mishkāt*, 12 : 13). Evidently this was the advice given to people who had vast tracts of land which they could not manage to cultivate themselves. It did not mean that land could not be let to a tenant.

Islam has attached great importance to irrigation for increasing agricultural production. Therefore, Islam has tried to impress upon its followers that a person having his land on a water channel is entitled to water his field but he must allow the water to pass on to other tracts when his need is satisfied. Even digging of a well is considered to be a great act of merit. Abū Hurairah reported, the Messenger of Allah (peace and blessings of Allah be on him) said : "Excess of water should not be withheld, arresting thereby the growth of herbage" (Bukhārī, 42 : 2). The Prophet (peace and blessings of Allah be on him) said : "Whoever digs the well of Ruma, for him is paradise" (Bukhārī, 62 : 7). So 'Uthmān had dug it.

It is really surprising to note that even fourteen hundred years ago Islam did realise the need for balanced growth—a balance between agricultural and industrial development. In Islam land as a factor of production must be used in such a fashion that the objective of balanced growth is achieved in the long run. The Sharī'ah provides that if the people concentrate on a particular occupation to the neglect of other occupations and to the detriment of the community as a whole, the State can intervene to change habits. Thus where people concentrate on acquiring agricultural

land and adopt cultivation only and neglect other types of occupation, industry or investment, the State can make rules to ensure that they spread their wealth evenly and engage in the trades or industries which would, in the long run, be in the benefit of the community.

It is reported about Abū Umāmah that he said, when he saw a plough and some other agricultural implements, "I heard the Prophet (peace and blessings of Allah be on him) say : "This does not enter the house of a people but it brings ingloriousness with it" (Bukhārī, 41 : 2). Bukhārī's heading of the chapter is "Warning against the consequences of engrossment with the implements of agriculture or going beyond the limit ordained." The ḥadīth, therefore, implies that a nation which gives itself up entirely to agriculture neglecting other lines of its development cannot rise to a position of glory.

2. Land Tenure System in Islam

In a predominantly agricultural economy land tenure or the legal and customary relations based on land are of crucial importance from the point of view of production and distribution. Because they influence incentives for production and techniques of farming and through the pattern of ownership and tenancy of ownership. Islam being a "Dīn," meaning thereby a code of life, instead of "Madhhab," i.e. religion, cannot remain silent on it ; rather, the laws of the Qur'ān and the Sunnah have laid down certain positive and fundamental principles from which it is quite possible to evolve a pattern of land-tenure system suited to the requirements of various Muslim countries of the world.

Qur'ānic Law and Peasant-proprietorship. The law of the Qur'ān regarding ownership of land is unequivocally in favour of peasant-proprietorship. According to the law of the Qur'ān, land is to be shared by all to the maximum good of human society ; therefore, such ownership and control over land as limits the benefits to a few, to the exclusion of the majority of the people, is contrary to the spirit of the Qur'ānic Law. In Islam nobody can claim absolute ownership of land because it belongs to Allah. In fact, the Qur'ānic Law does not favour the zamindārī system, its

essence being equitable distribution of land among all genuine cultivators. The Qur'ān says : "Said Moses to his people : Pray for help from God, and (wait) in patience and constancy ; for the earth is God's to give as a heritage to such of His servants as He pleaseth ; and the end is (best) for the righteous" (vii. 128).

And God has created the earth for the good of all people to enjoy its fruits and produce. "It is He Who has spread out the earth for (the benefit) of (His) creatures ; therein is fruit and date-palms, producing spathes (enclosing dates)."

The obligation of providing sustenance to all lies on God Who is the Creator. All things that are on the earth are created by God Almighty for the benefit of the whole human race.

There is no moving creature
On earth but its sustenance
Dependeth on God (xi. 6).

It is He Who had created for you
All things that are on the earth (ii. 29).

The resources of the earth are to be shared equally by all.

He set on the (earth),
Mountains standing firm,
High above it,
And bestowed blessings on
The earth, and determined
Its resources, in four Days,
To be shared equally by all
The needy persons (xli. 10).

Thus the sources of livelihood for human beings are so arranged by God Almighty that everyone is free to draw his share of sustenance by his own efforts and the law of God is that no one should get more than he works for.

Just as individuals vary in their physical and mental abilities, they also vary in their capacities to earn.

God has distinguished you from one another, in (your capacities to earn) sustenance.

Some can earn more than others, but it does not so happen that those who are more favoured give away (their extra earning) to those who depend on them, although they are all equal sharers in (the earnings). Then, are not such failing to acknowledge the favour of God ? (xvi. 71).

Commenting on the above verses, Maulānā Abul-Kalām Āzād says :

It is clear that the Holy Qur'ān accepts the position that people are not alike in their ability to earn and consequently some possess more and some less ; but the Qur'ān does not accept a situation in which some have too much and some nothing at all, of which the members are intimately concerned with the welfare of one another. They work in different spheres of life and earn more or less, according to their capacities, and though the better off among them do not give away all their earnings to those who are poor, yet they never become so unconcerned about the welfare of the poor but of them as to let them starve. Though the members have a right separately to their respective earnings, they have to pool them—regardless of the large or small share of each—in order to provide each of them with the necessities of life.

The above exposition of Maulānā Abul-Kalām Āzād shows clearly that if a man, by his possession over a large area of land, deprives others of their right to sustenance from God's earth, his possession would be considered illegal according to the Qur'ānic law.

Hadith and Land Tenure System. Even from the Tradition of the Holy Prophet and writings of many celebrated scholars of Muslim theology it can be proved beyond doubt that Islam disfavours the zamīndārī system or landlordism or feudalism as we call it, firstly, because this land tenure system is the negation of the principle of equitable distribution of wealth and, secondly, because it may stand in the way of proper utilisation of land, as non-use of land is wasteful and impoverishes the owner as well as the community as a whole. No doubt, the Holy Prophet himself distributed land among his followers. It never implies that modern landlordism was present either in pre-Islamic days or afterward. Not a single rich landlord could be found in that society because the nature of country's soil precluded the appearance of this form of land-ownership on account of absence of rain and irrigation and the presence of sandy desert soil. As a result, Islam was never confronted with the problem of landlordism as it exists with all its evils in its modern form. So land distributed by the Prophet around Medina was not supposed to give rise to the evils of feudalism. These lands which

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belonged to the Jews prior to that were given to poor Muslims, especially to the Muhājirīn.

It was never the intention of the Prophet to encourage landlordism in any form to the detriment of the society as a whole. Because he tried to impress upon his followers to cultivate land by themselves. The Prophet is reported to have said: "A person who has a piece of land should cultivate it himself and should not leave it uncultivated. If he does not cultivate it, he should give it to another for cultivation; but if he does not cultivate, nor gives it to another for cultivation, he should keep it with himself—we do not want it" (Bukhārī).

The last sentence of the Hadīth is more in a tone of displeasure at such a course of conduct. That is to say, if one does not give it to another for cultivation nor does one cultivate it oneself, let one keep it—"we do not want it." It was intended that one should retain in one's possession so much of land as one cultivates himself.

This Hadīth has been quoted in *Ṣaḥīḥ Muslim* with a little addition: if the other person refuses to take it, the person in possession may keep it with himself. In other words, if he offers it free to another who does not like to be favoured and wishes to have it on rent, he should rather keep it with himself than lease it on rent. The Holy Prophet has clearly prohibited the leasing of land on rent (cash or *batā'i*). For this reason 'Abdullah ibn 'Umar, when he heard this Hadīth in the days of Amīr Mu'āwīyah, when Capitalism had established its hold over Muslims, stopped accepting lease rent.

Another tradition of the Holy Prophet quoted by Imām Bukhārī runs as follows:

Rafī' bin Khadij says that his uncle Zubair bin Rafī'ah once stated that the Prophet had prohibited him from a lucrative business. Rafī' said that the Holy Prophet's orders must be just, upon which Zubair told him that he had been called and questioned by the Holy Prophet as to what he was doing with his land. He said he was leasing it on one-fourth of the total produce, plus some quantity of dates and barley. The Holy Prophet replied: "Do not do this; either cultivate it yourself or give it to another for cultivation (without any rent), otherwise keep it fallow with you."

This does not mean that one can keep one's land fallow for all times to come. Because the rule laid down by the Shari'ah in regard to the conduct of the owner of landed property is that he should continue to use it all the time. The non-use of land is unproductive and wasteful. The Prophet is reported to have observed that the person who seizes land belonging to nobody, for the purpose of developing such land, would cease to have any right to the land if he does not reasonably exploit it after three years of possession.

This Islamic code is in contrast to the French law which prescribes the time limit as fifteen years and under which land is transferred to the cultivators, irrespective of the fact whether he makes it productive or not. The superiority of the Islamic Law is inherent in this principle, for land is transferred only to those who are capable of making the fullest use of its productive capacity. There is a well-known saying of the Prophet which can be put forward in this context. The Holy Prophet said: "The person who brings dead land to life is its owner, provided it has no previous owner."

In case a person owns big tracts of land which it is difficult for him to exploit for its productive resources properly, the Islamic State is entitled to take any action against the owner, necessary for the proper use of land. Ibn 'Abidīn says: If taxable agricultural land is not utilised by the owner, or if it is not irrigated properly while improvement is possible, the Government may levy taxes on land and is, thereby, entitled to get its due share. In case the owner refrains from cultivating the land, the Government may put another man in charge of the property so that it may get its due tax; or may let it on rent or operate it on its own account. Thus freedom of ownership is not allowed to be misused. The action of Hadrat 'Umar in connection with the taking back of land given to Hadrat Bilāl is a clear proof of this.

The aforesaid principle is a useful safeguard against the rise of feudalistic tendencies, for a person who owns more than what he himself can manage stands in comparison to a capitalist seeking partnership of labour for the exploitation of his savings. So the practice of letting out land on a fixed amount of produce—a counterpart of interest in agricultural field—is unlawful. On the authority of Ḥasan Baṣrī, it is narrated that the practice during

the period of Ḥaḍrat 'Umar was that the owner was bound to contribute some share in labour and investment so that his share may not constitute a return for the gift of Nature only. It may be noted here that Imām Abū Yūsuf, the Grand Qāḍī of Ḥārūn-ur-Rashīd, whose reign marked the climax of Imperialism, is often quoted in support of the view that land can be leased on rent. But the consensus of opinion seems to dislike the idea which may give rise to the Zamīndārī system. Among the persons who condemned this system, the names of Imām A'zam, the great teacher of Imām Abū Yūsuf, Shāh Waliullah, Maulānā 'Ubaidullah Sindhī deserve special mention. Maulānā 'Ubaidullah Sindhī, a celebrated scholar of Muslim theology and a great exponent of the philosophy of Shāh Waliullah, writes in his commentary on *Hujjatullāh-ul-Bālighah* : "We are followers of Imām Abū Ḥanīfah who has prohibited the leasing of land on rent. According to him, a person should possess only so much area of land as he could cultivate himself. As a matter of fact, the system of leasing land in any form leads to great injustice to the tenants, and the landlords go on expanding their holdings over vast areas and making the poor tenants work like donkeys and oxen. They have no mercy for them and they starve them."

I also disfavoured the idea of leasing land because it may help in creating a new capitalistic class in the society the very existence of which is a threat to the basic economics ethics of Islam. Barring a few exceptions, the precepts of the Qur'ān in this regard have not been followed by the Muslims throughout the Islamic history. The capitalist class interpreted the Qur'ānic Law in a way that suited their interests and did not hamper exploitation of the poor people. Even today there are many Muslim countries where we find that some sort of feudalism is the order of the day. Only a handful of persons are enjoying their life with all modern amenities we have, to the utter neglect of the vast majority of masses. It is now time to think and act. Islam has faced the challenge of time.

'Umar's Land Tenure System

At this stage it is really necessary to give a pen-picture of the land tenure system of 'Umar the Great. Because the land system introduced by him bears an ample testimony to the fact

that land tenure system based on the true spirit of Islam is not a mere figment of imagination, it is quite practicable. In fact, this land system is quite suggestive to the modern Muslim States of the world where in most cases the Qur'ānic Laws with regard to land are honoured more in breach than in observance.

Though Arabia was not an agricultural country, yet the need for some permanent and lasting land system was felt during the caliphate of Ḥaḍrat 'Umar the Great, resulting from the conquest of Iraq, Syria, Iran and Egypt. 'Umar's revolutionary step of prohibiting the purchase of land by Muslims in the conquered territories of Syria and Iraq further proves the intention of avoiding the evils of landlordism within the Islamic social framework. Actually these were the later Caliphs who were mainly responsible for giving big estates or fiefs free of rent to soldiers. Since regular salaries could not be paid to them, the awarding of estates in contrast to 'Umar's bold policy resulted in giving rise to the evils of feudalism in Muslim society.

Speaking of Ḥaḍrat 'Umar, says Ameer Ali, "With a far-sightedness often wanting in rulers of later times, he perceived that the stability of the Empire and its material development depended upon the prosperity of the agricultural classes. To secure that object he forbade the sale of holdings and agricultural lands in the conquered countries. As a further protection against encroachment on the part of the Arabs, he ordained that no Saracen should acquire land from the natives of the soil. In the administration of the acquired countries, the improvement of the peasantry and the development of trade were persistently insisted upon." As a matter of fact the history of Islam records many incidents during the Caliphate of 'Umar which is indicative of his economic philosophy towards land system. After the conquest of Iraq when soldiers requested the commander Sa'd to distribute the conquered land among them and Sa'd wrote to 'Umar, his reply was, "I have received your letter. People are demanding that you should distribute land and wealth among them. You should distribute the wealth among Muslims but let lands and canals remain for governors to pay Muslims. If we distribute the lands now, we will be left with nothing for coming generations."

The same controversy appeared at the time of the conquest

of Egypt when people demanded of 'Amr bin al-'Ās, the victor, to distribute land and he sought the Caliph's guidance. The details given by Qādī Abū Yūsuf show that a controversy had arisen because 'Abd al-Rahmān b. 'Auf, Bilāl and some others were in favour of land distribution. At last Ḥaḍrat 'Umar called ten prominent people from the Anṣār and delivered a lecture to them. He said : "You heard the people who say I am depriving them of their right. I think that after the lands of Kisra (Chosroe) no lands will be left for conquest. God has granted us their wealth and lands. I have distributed wealth among Muslims, but I wish that lands be left with their tillers and I should impose Kharāj and Jizyah which they would be paying us to meet the expenses of the army, children of Muslims and generations to come. You have seen the borders, we need the army to protect them ; you have seen the big cities and to protect them a regularly paid army is necessary, and if I distribute the lands, how will they be paid?"

Having taken back some of the land which the Prophet had given to Bilāl ibn al-Hārith, 'Umar said to Bilāl : 'The Messenger of God did not give you land so that you withhold it from the people. He gave you the land so that you can use it, so you must take only what you can utilise, and leave the rest.' The wisdom of this policy is quite obvious. The intention is that land should be fully utilised, because the ownership of land is recognised in theory to be that of God and of the community, and the owner of property who does not utilise it for his own benefit, as well as for the benefit of the community as a whole, is not using land in the way God has ordained. Although the Holy Prophet had distributed land among Muslims, e.g. Khaibar lands, the area of these lands was so small that there was not the slightest danger of landlordism ; but the lands which came under Muslims after the conquest of Iraq and Syria were very vast and their distribution among Muslim soldiers would have led to landlordism with all its evils.

This bold departure illustrates the fact that the Ḥadīth of the Prophet should be interpreted not only in literal form but also in its spirit. The circumstances under which the Prophet distributed land were quite different in 'Umar's time. Therefore,

'Umar the Great did not follow the Prophet blindly : he exercised reason and logic on which the Qur'ān has laid much emphasis and took into account total cost-benefit result into consideration. This provides food for thought even today. Because the modern man is trying to understand Islam in terms of modern language and terminology.

It is really interesting to note that 'Umar was convinced of the fact that a better land tenure system was needed for improvement in the production of agriculture. He introduced many reforms in the field of agriculture. "Irrigation canals were laid out in conquered lands, and a big department was organised for constructing dams, excavating tanks and for the building of canals and sluices for the distribution of water. According to Maqrīzī, in Egypt alone 120,000 labourers worked daily throughout the year on these works and were paid out of the public treasury. Juza' b. Mu'āwiyah built many canals in the districts of Khuzistān and Ahwāz with the permission of Ḥaḍrat 'Umar, which enabled many new lands to be brought under cultivation. Hundreds of other water-courses were thus built, of which traces are found here and there in books of history" (Shiblī, 'Umar Fārūq).

Forms of Land Tenure System during 'Umar's Caliphate. Different kinds of land tenure system prevalent in the Muslim Empire during the Caliphate of Ḥaḍrat 'Umar b. al-Khaṭṭāb were as follows :

Iqtā' or Individual Ownership System. Iqtā', also called fief, is an institution the origin of which can be traced back to the time of the Holy Prophet. This system had far-reaching effects upon the land system of Arabia which, due to its bedouin life, was not much aware of the institution of landed property belonging to one individual. Iqtā' means the act of bestowing or allotting a qaṭī'ah (a cut-off piece). Thus it implies giving State land as estates to individuals. The Holy Prophet gave Iqtā's to different individuals at different times to make arrangements for the livelihood of those who had left behind their relatives, families and in most cases their property also. Occasionally the grants were made according to the principle of "Tālīf al-Qulūb" (reconciliation of hearts), i.e. to pacify and to attack political opponents. The Prophet sometimes gave Iqtā's before a specific land was con-

quered. The grant of the fief of Tamīm ad-Dārī in Palestine is an instance of such grants. Grants of Iqtā's conferred proprietary rights on the beneficiaries. These 'Iqtā's thus became Iqtā' Tamlik, i.e. fief conferring the rights of property. The owners thus were free to use the land in any way they liked and these rights in property were inherited by their descendants also.

There is a controversy as to whether 'Umar the Great followed the tradition of the Prophet in granting Iqtā's. True, there are evidences to indicate that 'Umar, following the tradition of the Prophet, granted fiefs even before the lands were conquered. But the consensus of opinion is that 'Umar disfavoured the idea of granting fiefs. Because this may lead to the rise of new feudalism in the society which, in its ultimate analysis, may result in lowering the rate of agricultural production. He emphasised that if anyone did not cultivate his land within a term of three years, he must lose his rights of ownership. Actually this was applied in case of a personality like Bilāl whom Ḥadrat 'Umar addressed as "Our Lord Bilāl". I feel that the modern Muslim world may take a lesson from this bold step taken by 'Umar in an effort to improve the lot of the poor people. To my mind, if the condition of three years' term is linked up with the right of ownership, I hope—indeed, I believe—that, given sufficient encouragement, agricultural production is bound to go up. In addition to application of modern knowledge in agriculture, this will, we are sure, help Pakistan in particular and Muslim world in general in solving the age-old problem of food. Any future scheme of land reforms may derive a benefit out of it.

Himā System. It meant land owned by one or more than one tribe and cultivated or otherwise used for their collective needs. Individual possession of land was something unknown to the bedouin. This limited right of the bedouin to land had possibly been the origin of the development of collective reserves (himās) where this right was made absolute, while other tribes were under obligation not to encroach upon it. The basis of himā was usually fodder and water. In the himā usually one or more springs or watering places were found. Its nomadic character is clear from the fact that it was usually left untilled. At first the privileges of himā were not of a permanent nature but afterwards if they

remained in the possession of a tribe for some longer period they became their property. In every large himā several tribes were often shareholders.

Himās paid 'Ushr (tithe) on the produce. If the 'Ushr was not paid, the rights were forfeited, and other people occupied the property. Government also had its own himās. Sometimes the himās which were necessary for military purposes or for the use of common public were seized. From the above analysis of himā system it appears that the idea of co-operative farming existed in a crude form even during the caliphate of 'Umar the Great. The very concept of collective ownership is clearly suggestive for the Muslim world even today in so far as the question of agricultural development is concerned.

State Landlordism. With the conquest of different countries, State landlordism also flourished. Under this system land belonged to the State and cultivators were its tenants. They did not enjoy proprietary rights and land could not be transferred to or sold by them. These (State) lands classified into Ṣawāfī, i.e. proper State domains, and Fai'. Ṣawāfī were in fact public property and could not be disposed of in any way. Tenants tilled the land and paid a specific sum as revenue (Kharāj). They could not be ejected. There is no clear information but perhaps tenancy existed in the same family and was treated as inheritance. But these lands could not be sold by the tenants or governors.

The other kind which also falls under crown lands is called Fai'. Fai' actually started with the Prophet. It included lands (and booty) which were left to the Prophet to be used by him at his own discretion. The first fai' was the lands of Banū Naẓīr, Khaibar and Fadak. Later on during the caliphate of the Righteous Caliphs this included lands belonging to the State, which could be used by the Caliph in the way he wished. Fiefs were sometimes given out of these lands.

Another form of State lands was "Diya". It meant estates belonging to the State. The difference between Ṣawāfī and Diya is that the latter were private estates belonging to the State while Ṣawāfī were in the public domain.

State lands, whether Ṣawāfī, Fai' (excluding fiefs), Diya or Waqf paid Kharāj. Kharāj was treated more as the rent of the

land than a tax because the tenant, irrespective of his religion, paid Kharāj. A non-Muslim tenant, even if he embraced Islam, had to pay Kharāj although he was exempted from Jizyah in that case. In this system lands were owned by landlords who employed tenants to cultivate them. This system was prevalent in Arabia proper as well as in Syria and Egypt.

It is very surprising that even during Caliph, Umar's caliphate the concept of State-ownership in land developed to a great extent. The modern idea of socialisation of national wealth perhaps owes its origin to it. If people of a particular area of the country do not react favourably to agricultural development, the Muslim State has every right to intervene.

Peasant-Proprietorship. In this system owners themselves tilled the land. This system was common in Arabia, especially in those parts which were arable and fertile. In Syria, there is evidence to prove that some small farmers cultivated as well as owned land. The land tenure system in different parts and provinces led to the emergence of the following classes of people.

Non-Cultivating Owner. He represented an owner who possessed the land which was tilled by someone else. In some cases, he was a large estate-owner. Such non-cultivating owners were found in Syria and Egypt. On the other hand, there were owners who had very small tracts of land but could not till them due to some reason. The people of Arabia living in cities and soldiers, who had been awarded fiefs, represented this class. He shared the produce on the basis of legal right, usually without contributing anything to the process of production. The fact should not be lost sight of that this class was not equivalent to the present absentee-landlord. Because such big estates were not allowed by Hadrat Umar.

Non Owner Cultivator. This class represented occupancy tenants of private landlords. Both the freemen and slaves, belonging to this class, were found in all parts of the empire.

Owner Cultivator. An owner cultivator, also called peasant-proprietor, had all the proprietary rights in land he possessed and cultivated. He differed from the big landlord only in the matter of the size of his holding. A holder having occupancy rights in land like the one cultivating the state-owned land was included in

this class.

Land Reforms in Pakistan: An Appraisal

Pakistan inherited British Indian land tenure system which was primarily feudal in character. Pakistan being committed to Welfare State concept based on the ideology of Islam cannot remain a silent spectator of the scene. Moreover, a forceful cycle of change is already running very effectively in some important Muslim countries like Algeria, Egypt, Syria and Iraq. Here in Pakistan the change has already set in in the wake of land reforms in both wings of Pakistan. In these reforms, the big landlords have been divested of their large holdings and have been cut down to their size. The surplus holdings were distributed among peasants, and nearly a hundred thousand of them have been rehabilitated. This marks the beginning of a new era in Pakistan. We are indeed proud that in accordance with the true spirit of Islam some beginning has been made in that direction.

Land reforms programmes carried out during the First and Second Plan periods have shown satisfactory results. In the eastern wing, the basic land reform law, the East Bengal State Acquisition and Tenancy Act of 1950, embodies four main objectives: (a) to eliminate all intermediary rent-receiving interests, (b) to acquire these interests for the State on payment of compensation to previous intermediary interests in instalments, (c) to limit the area of tenancies that may be held under the State, and (d) to distribute the land over and above the ceiling limit among cultivating families owning uneconomic holdings and landless agriculturists. Under this law all intermediary rent-receiving interests between the cultivating tenant and the State were fully abolished in April 1956. The cultivator-tenant is assured of full occupancy rights with the right of transfer to *bonafide* cultivators. Emergence of rent-receiving interests in future is prevented by forbidding subletting. About 300,000 acres of *khāṣṣ* (self-cultivated) land were acquired by the Government under this programme. During the Second Plan, implementation of the land reforms mainly consisted of consolidation of holdings.

In the western wing, during the period preceding the First Plan, several tenancy measures were enacted, but the pace of implementation of these tenancy laws was rather slow. Therefore,

land than a tax because the tenant, irrespective of his religion, paid Kharāj. A non-Muslim tenant, even if he embraced Islam, had to pay Kharāj although he was exempted from Jizyah in that case. In this system lands were owned by landlords who employed tenants to cultivate them. This system was prevalent in Arabia proper as well as in Syria and Egypt.

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this class.

Land Reforms in Pakistan : An Appraisal

Pakistan inherited British Indian land tenure system which was primarily feudal in character. Pakistan being committed to Welfare State concept based on the ideology of Islam cannot remain a silent spectator of the scene. Moreover, a forceful cycle of change is already running very effectively in some important Muslim countries like Algeria, Egypt, Syria and Iraq. Here in Pakistan the change has already set in in the wake of land reforms in both wings of Pakistan. In these reforms, the big landlords have been divested of their large holdings and have been cut down to their size. The surplus holdings were distributed among peasants, and nearly a hundred thousand of them have been rehabilitated. This marks the beginning of a new era in Pakistan. We are indeed proud that in accordance with the true spirit of Islam some beginning has been made in that direction.

Land reforms programmes carried out during the First and Second Plan periods have shown satisfactory results. In the eastern wing, the basic land reform law, the East Bengal State Acquisition and Tenancy Act of 1950, embodies four main objectives: (a) to eliminate all intermediary rent-receiving interests, (b) to acquire these interests for the State on payment of compensation to previous intermediary interests in instalments, (c) to limit the area of tenancies that may be held under the State, and (d) to distribute the land over and above the ceiling limit among cultivating families owning uneconomic holdings and landless agriculturists. Under this law all intermediary rent-receiving interests between the cultivating tenant and the State were fully abolished in April 1956. The cultivator-tenant is assured of full occupancy rights with the right of transfer to *bonafide* cultivators. Emergence of rent-receiving interests in future is prevented by forbidding subletting. About 300,000 acres of *khāṣṣ* (self-cultivated) land were acquired by the Government under this programme. During the Second Plan, implementation of the land reforms mainly consisted of consolidation of holdings.

In the western wing, during the period preceding the First Plan, several tenancy measures were enacted, but the pace of implementation of these tenancy laws was rather slow. Therefore,

a Land Reforms Commission was appointed in October 1958. On the basis of its recommendations, a ceiling on the ownership of holdings was fixed at 500 acres of irrigated land or 1000 acres of unirrigated land except that the owners were allowed to retain an area equivalent to 36,000 produce index units. The minimum limits for subsistence and economic holdings were fixed, the former at 12½ or 16 acres, and the latter at 50 or 64 acres, depending upon location ; partition of economic and subsistence holdings was forbidden ; jāgīrdārī, or gifts in the shape of land or remission of land revenue was abolished ; ownership rights on occupancy tenants were conferred and security to tenants was assured. Under this programme an area of about 2.2 million acres has been resumed on payment of compensation in instalments from owners holding land in excess of the limit prescribed under the law.

As a result, about two lakh families of tenants have become proprietors of the areas which they used to cultivate as tenants. These new proprietors have been motivated by the sense of ownership and with this incentive have increased production by adopting new and improved techniques. The landowners having been deprived of their surplus area are now also making serious efforts to develop their land with a view to getting the maximum income from the lesser area now with them. Agricultural production is, therefore, bound to increase.

Considered from any angle of view tenancy measures taken by the Government of Pakistan reflect the true spirit of the Islamic economic system—a system which aims at achieving the goal of social justice. We must bear in mind that land reforms introduced by the Government of Pakistan cannot be absolute. These measures must be subject to change in the dynamic setting of growth. Therefore, fixation of limit of subsistence and economic holdings can be changed according to the changing circumstances and time. In Islam there is no hard and fast rule with regard to it. In my view, the basic principle which is to be kept in mind is the principle of social justice and care for the have-nots in any attempt to introduce land reforms. In Pakistan still a great many things will have to be done during the Perspective Planning (1965-85). The new owners will be provided with necessary supporting

services like credit for production needs, fertiliser, seed and other inputs, to enable them to bring the land under cultivation as quickly as possible. Arrangements will also be made to provide adequate social services for them so that they can lead a better and fuller life in their new environment.

It is not out of place to mention here that land tenure systems of many Muslim countries are still feudal in character. In this world of conflicting ideologies the choice before the Muslim world is quite clear : either we shall have to accept the Islamic values of life for which necessary reforms in the existing socio-economic set-up are called for or we shall have to abandon Islam altogether. Mere lip-respect for Islam will not do.

3. Population Control and Family Planning in Islam with Special Reference to Pakistan

A population control policy implies that the actual demographic situation is not satisfactory and that a more favourable one could be attained by pursuing the policy in question. Family planning through birth control is an integral part of a comprehensive population control policy the full effect of which is not to prevent perpetual population growth but to bring a happy marriage between population growth and economic growth for a nation as a whole. The objectives of family planning may be : (a) to protect the health and beauty of women by giving proper gap between two children, (b) to keep the family responsibility within the financial capacity of parents, (c) to avoid the responsibility of maintaining a large family through illegal source of income. From the little study I have made it appears however, that the question of Family Planning has been a controversial issue in Islam. Clearly, there are two schools of thought : one looks with favour at the idea of birth control and the other does not. Without entering into controversy, I would like to make a dispassionate analysis of the problem.

An Analysis. The opponents of family planning argue that motivated by economic considerations people generally adopt the method of birth control as the problems of food and space are closely associated with the birth of a new baby. This very motive

of family planning is un-Islamic. Citing the verse from the Holy Qur'ān which says: "Slay not your children, fearing a fall to poverty; We shall provide for them and for you. Lo! the slaying of them is a great sin" (xviii. 13), they try to establish that Allah being the creator of mankind supplies the food and other necessities of life according to our need. Any attempt to control the birth artificially is, therefore, an act of disbelieving in His blessings. The present problem of food is, they argue, an artificial phenomenon and is bound to disappear if sincere efforts are made. On the contrary, the supporters of family planning do recognise the financial capacity of parents in adopting birth control. Besides, they argue that opponents of birth control have not fully appreciated the significance of the verse of the Qur'ān which declares: "Surely, Allah changes not the condition of a people, until they change their conditions" (xii. 11). This verse, according to them, negates the idea of determinism and constitutes an assertion of man's free will. It is this "free will" which distinguishes man from animal and in respect of sexual impulse nature is subordinated to man's will whereas this is not the case with regard to animals. Therefore, they feel that men may utilise their sexual impulse for production of labour force according to their need and financial ability.

Again, family planning is challenged on the ground that "Azl" which was quite current during the Prophet's lifetime as a birth control device is not Islamic. ("Azl" is an Arabic word. It originally means putting a thing aside or away and with reference to sexual relations it means putting semen outside at the end of sexual intercourse.) It is argued against very forcefully on the authority of Zaoyama who reported: The Messenger of Allah (peace and blessings of Allah be on him) said: "Azl amounts to putting a living man into the grave" (Ṭaḥāwī). Besides this a number of Ḥadīths from Tirmidhī, Ibn Mājah, Abū Dawūd and *Ṣaḥīḥ Muslim* were cited against birth control. Again, in course of expressing his opinion on different occasions in connection with Azl, the Prophet (be peace on him) is reported to have made the following statements: "When Allah wants to create any man, nobody can stop it."; "There is no soul that is to be till the Day of Resurrection but it will come to life" (Bukhārī, 67: 97); "It is the Taqdir

which determines everything." Quoting all these statements the opponents of birth control try to prove that any attempt to control population growth by artificial means is an act of disbelieving in Allah. Whereas the protagonists of family planning have advanced a number of Ḥadīths in support of "Azl" on the authority of Jābir, Abū Sa'īd, al-Ghazālī and others. In view of the conflicting Ḥadīths for and against "Azl" or birth control, what is, to me, needed is to judge the correctness of these Ḥadīths by the exercise of our intellect with an unbiassed frame of mind (i.e. Ijtihād) tempered by consideration of the opinion of most of the Ḥadīth commentators, because it is a verdict of history that a good number of false Ḥadīths manufactured by the so-called false Prophets and "Munafiqs" were mixed up with "Ṣaḥīḥ Ḥadīths".

Many 'Ulamā' hold the opinion that new babies are not only the joint property of the family concerned but also an asset of the society as a whole. Many others feel that new babies may turn out to be social parasites if they are not imparted proper education and training which is now-a-days a costly affair.

The modern critics of birth control observe that the Malthusian theory which asserted that population tends to increase in geometrical progression (i.e. 1, 2, 4, 8, 16) while the supply of food tends to increase in arithmetical progression (i.e. 1, 2, 3, 4) was discredited by the actual course of developments. All the mathematical propositions regarding the gloomy picture of population growth and food supply have been belied by events. They hold that Malthus did not foresee the great revolutionary developments which were destined to take place in the technique of agricultural production and in the field of international transport. Every person comes to the world not only with a hungry stomach but also with a pair of hands. The increase in population which means the increase in the supply of labour makes possible better division of labour and better distributions. So, the problem becomes one of a ratio not between food and population but between wealth and population. They further observe that spending thousands of rupees on the family planning programme is a clear waste of resources. The amount of time and human energy spent on popularising the family planning programme would have been utilised more fruitfully for the mitigation of the economic ills of the

people. On the contrary, the protagonists of family planning argue that the objective of family planning is not to stop the perpetual population growth, rather it aims at qualitative improvement of labour force and helps in bringing harmony between population growth and economic growth.

It is agreed that artificial birth control has created a serious social problem of extra-marital relationship which has increased adultery in society and consequent increase of illegitimate children, particularly in Western countries. But the supporters of family planning are of opinion that if there is an increase of extra-marital relationship in the society it is not merely because of the introduction of birth control but also because of the lowering of moral and spiritual values and change of attitude towards life-philosophy.

Last, but not least, argument against family planning is that only the richer and educated sections of the society, rather than the poorer and illiterate people, find interest in birth control. Because they are more conscious about their standard of living as poverty and fecundity go together. As the standard of comforts increases, people find it difficult to earn a decent living till a very late period in life. Hence they are forced to marry late. They are also unwilling to have a large family, as that means a fall in their standard of living. "A baby or a car?"—this is a problem for the young couple and often the car is preferred. As a result of this there will be a less number of children for the richer and educated people who are in a position to produce an effective labour force by imparting the best available training and educational facilities to their wards. Therefore, the progress of the society is likely to be retarded. This is, indeed, a serious objection against family planning although its protagonists are of view that family planning programmes, if properly implemented, would arrest the alarming rate of present population growth and help in keeping its pace with economic growth which, in its turn, implies general well-being of the people.

Such, in brief, are the essential points for and against family planning or population control. I would, now like say a few words about population control in Pakistan from pure economic standpoint.

At present, however, when the masses in Pakistan are groaning under poverty due to the capitalistic system, birth control may be adopted as a temporary measure for alleviating their sufferings even though partially.

The reported population increase between 1951 and 1961 by 23.7% gives a compound rate of annual growth of nearly 2.2 %. This rate is substantially above 1.4% or 1.8% which were assumed in the First and Second Five-Year Plans respectively. "In the Third Plan, it was estimated that population was growing at the rate of about 2.6 per cent per annum. Some of the recent studies, however, show that the population growth rate would have increased to over 3 per cent per annum in the Fourth Plan but for the success that is being achieved in reducing birth rates through family planning programmes." If the present rate of growth be allowed to continue without taking any action on the population side, the population will be doubled at the end of the present century.

There is a cry for economic growth in Pakistan. But we have seen that at the initial stage of economic development the death-rate is likely to fall. The limitation of deaths by health measures, although not pursued as a population policy, nevertheless, has demographic effects. In so far as it succeeds while other demographic variables remain fixed, it tends to increase the population. Thus the seriousness of the situation lies in the fact that every improvement in medical aid would reduce the death-rate and unless the birth-rate is reduced, the rate of population growth will be accelerated which will cancel the effect of the new development. The fall in the death-rate due to economic development will, of course, lead to the fall in the birth-rate after a lapse of time. Since this is a time-consuming process, control of population growth is of supreme importance.

Theoretically, there are two conceivable ways of reducing fertility quickly—one is birth control, the other is industrialisation. The main disadvantages of quick industrialisation as compared to a direct birth-control policy are twofold: (1) it is more difficult, (2) it is relatively slower. Although economic change seems more acceptable than birth-control measures, yet the truth is that any policy that rapidly industrialised Pakistan would be a

far greater strain on the basic social institutions than would any policy that attacked fertility directly.

Moreover, we cannot pitch our hopes too high about industrial development which can absorb only 3% of our increased labour force. It is estimated that, although Pakistan has abundant resources for an all-sided economic development, yet if the present rate of growth of the population is maintained, there will be a surplus of over four lakhs of hands a year which will add to the pressure on land. So the mechanisation of agriculture which is capital-intensive rather than labour-intensive cannot be applied for increasing our extremely low agricultural productivity compared to other countries. Thus there will be more mouths to feed than there is food.

This excess labour force, according to Malthus, is historically corrected by Nature's positive checks such as war, epidemics, etc. The inevitable moral which Malthus draws from this gloomy picture is the need for the application of what he calls preventive checks, i.e. voluntary restrictions of birth, late marriage, etc.

A population control policy is justified by the weakness of the other three alternative measures to combat the ills of overpopulation. Firstly, redistribution of population from thickly populated areas to areas of low density of population can be treated as one of the measures to overcome the problem of overpopulation, because there are wide variations in the density of population in the various regions of the country. The eastern wing of Pakistan has an average density of 777 persons per square mile, while it is 109 persons per square mile in the western wing. This is not, however, an easy problem. Even Adam Smith was of view that of all the forms of luggage, man is the most difficult to be transported. Besides the problems of language, customs, social institutions, many economic problems such as housing and settlement, water supply and health services arise with the redistribution of population. These require scientific planning and may only be a part of the country's overall plan.

Secondly, a little relief to the problem of relative overpopulation in Pakistan can be attempted and expected at the present stage through the redistribution of wealth by progressive taxation of the rich. But if taxation is too heavy, it may crush

enterprise and reduce production, ultimately reducing national income.

The purpose of redistribution will be defeated, if national income is reduced by the process of redistribution. Before cutting the cake for equal distribution, the size of the cake has to be increased. But the problem is how to increase the size of the same.

Lastly, emigration as a population policy can be of some relief to the problem of overpopulation. But there are some practical difficulties in the way of its proper implementation, because even sparsely populated countries now-a-days control immigration of foreigners with restrictive laws. Moreover, emigrants seldom leave in sufficient numbers to make a serious hole in the population. Not only that, emigrants often have higher skills than the average among the population that remains. Hence the necessity of birth control.

Apart from these factors, there are many social, physical and eugenic reasons which may be advanced in support of population control or family planning in Pakistan.

(a) *Social*. Owing to the complexities of modern life women have begun demanding more social and professional self-realisation and as a result they have now begun taking active interest in education. The more time and energy a woman puts into education, the more likely she is to continue with her individual career. Though a few educated women forgo marriage and motherhood, many do not. There is a tendency, however, for those who marry to keep the family small enough to enable the mother to devote a part of her time to other activities outside her house.

(b) *Physical*. Many husbands feel it advisable not to have any more children in the interest of their wife's health. Physicians advise in the interest of the mother's health that the couple have at least three years' gaps between child-births, if they wish to produce healthy children and the mother to retain her vitality.

Although child-bearing is a normal physiological function in the case of healthy women, it causes an undue strain on those who suffer from certain diseases—such as heart disease, diabetes,

Apart from any specific disease in the mother, continued child-bearing with little or no interval between successive pregnancies may itself constitute an undue strain on her physical condition and the spacing of birth so as to allow a return to normal health may prove to be a definite necessity.

(c) *Eugenic*. In the interests of the nation, it is very important that persons having transmissible or hereditary diseases should not have children. They should be checked from undertaking the venture of procreation by strict legislation so that society is not full of imbeciles, idiots, infirms or socially inadequate.

It is a matter of common knowledge that social customs in society are such that many of our eugenically fit cannot have families because of low incomes and a number of traditions to which the people are accustomed. Without doubt, "thousands of these young men and women, physically and morally strong, would gladly marry if they knew that they could restrict their family so as to rear a few children well."

Thus, it is an undisputed fact today that the extended use of contraceptive measures is the most powerful weapon and a direct means of controlling fertility without checking the enjoyment of sexual intercourse, besides eradicating and eliminating the hereditary diseases from the society.

Nevertheless, the conclusion that ideally emerges in order to maximise real income is that the population policy of Pakistan should include at least three measures—a programme of strategic emigration, a sustained and vigorous birth-control campaign and a scheme for rapid industrialisation, because none of these complex measures can substitute the others or promise the maximum effect if pursued alone. Emigration should be encouraged with a view to losing as little as possible in terms of skills and capital. Birth control should be diffused with the help of films, radio, contraceptives, etc. Many of the prejudices against birth control are likely to disappear with wider education and vigorous propaganda. Lastly, industrialisation should be pushed by central planning and control.

It should be noted here that we have so far talked of the quantitative aspect of our problem. A sound population policy

will have to deal with the qualitative aspect which refers to the efficiency of the people, that is, the diseased and medically unfit should not be left free to perpetuate hereditary diseases of a dangerous character.

Thus the full effect of this comprehensive population policy would be, not to prevent perpetual population growth, but to bring about a happy marriage between population growth and economic growth.

Concluding Observation. The principle of benevolence and care for the have-nots, which is a universally recognised principle in Islam, should, I feel, be the guiding objective of population control and family planning. Therefore, if the population explosion, as we find in Pakistan, Indonesia, and other countries, poses a threat to economic growth which aims at raising the living standard of degraded humanity, the population control policy is perfectly justified just as the rationing of food, which aims at balanced distribution of food in a society, is justified; just as the prohibition on slaughtering of cows/goats two days in a week in Pakistan tempered by consideration of total welfare of the community is justified in spite of the fact that these are quite "Halāl". But if the existence of a minority community in a State is at stake both politically and economically simply because of numerical strength, I shall definitely advocate there not to adopt family planning, for this is also consistent with the principle of benevolence in so far as that community is concerned.

Broadly speaking, we are inclined to recommend population control policy, not only for the world of Islam, but also for the rest of the world with the exception of a few countries like Australia where there is a problem of under-population. But the success of population control policy in a country like Pakistan depends on the individual consciousness of social responsibility. If due to lack of this consciousness people do not react favourably to the policy of persuasion adopted by our present Government, the Islamic State has a right to intervene. If need be, the State can impose progressive taxes on a number of children beyond a certain limit. We have record to prove that so far as the early history of financial administration of Islam during the lifetime of the Prophet is concerned, we see a gradual evolution, beginning

with persuasion and recommendation and culminating into obligations and duties enforced with all the power that the society could command. This has particularly happened with regard to Zakāt.

In fact, the Islamic State has a mission and vocation to fulfil—a mission to achieve social justice. If population explosion creates a bottleneck in the way of attaining social justice, the Islamic State has a right to handle it accordingly.

4. Place of Capital in Islamic Socio-Economic Set-up

The Islamic economic system must be free of interest. In such a system interest will not be allowed to exert its adverse effects on employment, production and distribution. It is for this reason that capital has occupied a special place in Islamic Economics. Here we are inclined to consider capital—"produced means of production"—not as a fundamental factor of production, but as an embodiment of past land and labour. In fact, capital is produced by the expenditure of labour and the use of natural resources. It is, in the words of Wicksell, "a single coherent mass of saved-up labour and saved-up land which is accumulated in the course of years."² In an interest-free society capital cannot, therefore, be treated in a sense it is used in capitalistic production.

Now, we shall confine ourselves to an analysis of the problem of accumulation of capital in the Islamic economic system. Such an analysis may, however, be preceded by a brief reference to the broad classification of capital which may be regarded from the standpoint of society and from the standpoint of individuals. From the social angle of view, all things, other than land, which yield income are to be regarded as capital, including things in public ownership. Private capital is anything from which the individual expects to derive an income.

In modern sense, a Government war loan is capital from the standpoint of the persons giving such loan but is not capital from the social standpoint.

Since Islamic economic system stands for a balanced society, distinction between private and social capital is immaterial. But

2. *Lectures on Political Economics*, Vol. I, p. 150.

this is not the case in the present-day capitalistic society. The Islamic State has the right to intervene when private capital is used to the detriment of society. There is a grievous punishment in store for those who abuse their riches to the detriment of society. God commands :

(The stern command will say) :

"Seize ye him,

And bind ye him,

And burn ye him,

In the Blazing Fire,

Further, make him march

In a chain, whereof

The length is seventy cubits !" (Ixi. 30-32).

Islam promotes the basic moral conscience by inculcating fear of God which in practice means scrupulous avoidance of anti-social behaviour in all shapes and forms.

Capital grows out of savings from which the creation of capital goods is possible. But the creation of capital goods is contingent upon the presence of two opposites : reduced current consumption and expectation of increased future production. Thus, as Keynes has observed, we are reminded of the "fable of the Bees"—the gay of tomorrow are absolutely indispensable to provide a *raison d'être* for the grave of today.

Now the question arises why in an interest-free Islamic economic system people will abstain from consuming the whole of the available consumer goods to save for future. Because writers like Marshall were of opinion that the rate of interest was one of the factors which govern the volume of savings. The higher the rate of interest, i.e. the larger the reward for saving, the higher will be the propensity to save and *vice versa*. But many writers like Lord Keynes have cast serious doubts on the connection between the rate of interest and the volume of savings. In their opinion, a high rate of interest will depress economic activities and lead to a smaller volume of investment. As a result, the aggregate money income will shrink, and given the same propensity to save, the volume of savings will be reduced. The fact is that if individuals are rational, they are likely to save more out of their incomes when the rate of interest is high. A

high rate of interest means higher rewards on saving, and, therefore, on purely rational grounds, people will save more. But saving is the least rational of all things; it is surrounded by all sorts of social customs and inhibitions. There are several motives which induce an individual to save. Impelled by the motive of prudence and farsight he may save with a view to building up a reserve against unforeseen contingencies or rainy days or to make adequate provisions for the future education of his children, or the marriage of his daughters, or for his old age. Moneyed men enjoy great honour and prestige in our society, and so he may dream to be counted rich one day and to enjoy power and prestige (motive of pride). Lastly, he may be guided by the spirit of pure miserliness with an unreasonable dread for spending money on anything whatsoever (motive of avarice). These motives may be summed up as motives of prudence, farsight, improvement, family affection, pride and avarice.

In modern communities, a considerable portion of savings comes from such institutions as joint-stock companies. The people in charge of these institutions save because of the motive of prudence and enterprise.

Here the point we are making is that capital can grow even in an interest-free society. One must not forget that Islam allows profit which also acts as an incentive to save. Moreover, only the Islamic economic system can make a true and proper use of capital. Because under modern capitalistic productive system, we find that the benefits of technical progress achieved by science can be enjoyed only by relatively wealthy communities whose incomes allow a good margin above the level of subsistence. Those who live from hand to mouth must necessarily remain condemned to eternal poverty, since we can provide for an increasing stream of output tomorrow only by consenting to reduce consumption today, and we cannot do so unless our current income leaves some margin above subsistence. A comparatively wealthy community is thus in an advantageous position for becoming wealthier still, while a poor community finds itself in a vicious circle from which it is difficult to get out. But even wealthy communities have their problems no less baffling than poor communities. Where the systems of private property and private

enterprise prevail, there is a tendency towards the accumulation of too much wealth in the hands of a small minority, and since consumption does not increase as fast as income increases, the second condition for capital creation, namely, the expectation of increased consumption in future, is generally not fulfilled. This factor goes largely to explain why the benefits of technical progress are not fully reaped even by rich communities and why unemployment develops even though there is no lack of resources for giving employment to all unemployed factors of production.

But Islam safeguards the interests of the poor by imposing moral responsibility upon the rich to look after the poor and, secondly, while recognising the systems of private property in a restricted way, any tendency towards undue accumulation of wealth in the hands of a few is condemned in Islam. Thus the Holy Qur'ān tries to impress upon the rich that they should spend for beneficial purposes of the society. Because wealth is for proper circulation. The Qur'ān says:

And spend (in Charity)

Out of what We have provided

For them, secretly and openly,

Hope for a Commerce

That will never fail (xxxv. 29).

Again:

In order that it (wealth) may not

(Merely) make a circuit

Between the wealthy among you (lix. 7).

At the same time extravagance is condemned in the Holy Book which says:

But waste not

By excess; for God

Loveth not the wasters (vi. 141).

In this way Islam brings a happy compromise between two opposites of capital creation, reduced current consumption and increased future consumption, and allows capital to play its true role in the productive process.

5. Modern Labour Capital Relationship and Islam

Nature of Modern Labour-Capital Relationship. The conflict

between labour and capital is the go of the capitalistic world. The growth of workers' and employers' organisation during the last few decades has, therefore, been accompanied by a distinct increase in the number and extent of strikes and lockouts.

Since a strike is nothing but a withdrawal from work with the design of securing a return to the same employment under better conditions than are offered at the time by employers, it affects not only the consumers and producers but also the workers themselves. The consumers will be affected simply because of the artificial scarcity of goods resulting in a rise in prices. The producers will be affected simply because of disturbance caused in the continuity of production. Again, the stoppage of work due to strikes means the loss of work and wage.

Similarly, a lockout which is the employer's answer to strike is an act of closing a business enterprise by an employer for the purpose of enforcing a decision on the employees. Obviously, a lockout causes a stoppage in production and creates the problem of unemployment. Thus the industrial conflict resulting in strikes and lockouts complicates the dual interests of consumers and producers, the socio-economic repercussions of which can hardly be overestimated. Many attempts have been made to bring a lasting compromise between labour and capital but, unfortunately, the capitalistic system has failed to achieve any substantial results in this regard.

But Marx, the father of modern scientific Socialism, represented a strong protest against the capitalistic approach to the problem of relationship between labour and capital. Following Smith and Ricardo, Marx developed his famous theory of value and surplus value. According to his theory of value, the value of any commodity is merely the amount of labour that is "socially necessary for its product". Thus, according to him, capital being the embodiment of the past services of labour is a "congealed labour". The capitalist sells the commodities in the market for value equal to the full amount of labour used in production. But the labourer gets his subsistence. The excess is the surplus which is pocketed by the capitalist ; it measures the amount of exploitation of labour by capital. As time goes on this surplus value, according to him, gets concentrated in fewer and fewer hands

which results in growing poverty and misery of the proletariat. In due course these workers will combine against their exploiters and will overthrow them. Thus will emerge a classless society which will end the class struggle.

But Marx's prophecy regarding this relationship between labour and capital is belied by the actual course of economic development in various capitalist countries. Moreover, without going into details, it can be said that the labour theory of value itself is quite unsatisfactory, because it is not possible to reduce all labourers into one grade, as Marx and others have tried to do. The theory which ignores the demand side altogether and does not recognise the contribution of fixed capital in producing surplus value cannot solve the problem of labour-capital conflict.

Islam, on the other hand, does not recognise the exploitation of labour by capital, nor does it approve of the elimination of the capitalist class and establishment of the classless society. Islam recognises the diversity of capacities and talents resulting in the diversity in earnings and material reward (Qur'ān, iv. 33). It does not approve of a dead-level equality in the distribution of wealth as that would defeat the very purpose of diversity. Naturally, Islam recognises the existence of labour and capital in society. The two basic principles laid down in this connection, both in the Qur'ān and the Hadīth, are that the servant shall do his work faithfully and to the best of his ability and that the master shall pay him fully for the service rendered. In fact, Islam brings about a happy marriage between labour and capital by giving the whole problem a moral bent ; it would be clear if we analyse the main causes of industrial conflict and Islamic injunctions. The industrial unrest arises mainly from economic and psychological factors.

Economic Factor and Islamic Viewpoint. The workers' share in production remains the cardinal cause of discontent. The workers, it is said, create the product of the industry, but they secure only a part of the production, the rest being held back by their employers. Again, the system of overtime, specially when there is unemployment in the trade, has been responsible for much unrest. This system is opposed, firstly, because it is retrogressive, secondly, because it might be used to cut down the standard day

rates; thirdly, because it worsens the employment conditions; and, finally, because it adversely affects their health.

Here it is heartening to quote the Holy Prophet's (be peace on him) observation: "Man has no right in his share in which God has no right. God's share is His command to give everyone his due and not to encroach on what belongs to another." The withholding of remuneration for service rendered is the gravest of sins. Abū Hurairah reported: The Prophet (peace and blessings of Allah be on Him) said: "Allah says there are three persons whose adversary in dispute I shall be on the Day of Resurrection: a person who makes a promise in My name, then acts unfaithfully; a person who sells a free person and devours his price; and a person who employs a servant and receives fully the labour due from him and then does not pay his remuneration" (Bukhārī, 34: 106). Again, it is related on the authority of Ibn Mājah that the Prophet (be peace on him) said, "The wages of a labourer must be paid to him before the sweat dries upon his body."³ But if it is not possible on the part of the master to pay the wages of the labourer for some valid reasons, it is permissible to invest the unpaid remuneration in some profitable business and the servant is entitled to all profits thus accruing. Ibn 'Umar said, "I heard the Messenger of Allah (be peace on him) say: 'And the third man said, I employed labourers and I paid them their remuneration with the exception of one man; he left his dues and went away. So I invested his remuneration in a profitable business until it became abundant wealth'" (Bukhārī, 37: 12). It follows that the employers are not entitled to utilise the unpaid wages of the labourers for their own purposes. Apart from the prompt payment of wages, Islam is quite alive to the welfare of the labourers. Thus it is related on the authority of *Muḥallāh* of Ibn Ḥazm that the Prophet (be peace on him) said: "It is the duty of the employers to take only such work from their employees which they can easily do. They should not be made to labour so that their health is told upon."⁴ These ḥadīths rule out all possibilities of capitalistic aggrandizement as well as forestall and supersede the Marxian methods of "expropriating the expropriators". Let us now pass on to the

3. Quoted in *Islām Kā Iqtisādī Nizām*, p. 295.

4. Quoted in *ibid*.

psychological cause and the Islamic way of handling it.

Psychological Cause and the Islamic Viewpoint. In the present-day capitalistic system, the labourers believe that the court, police and other administrative authorities are always prejudiced against them and are in favour of the employers. Whenever a dispute arises and a strike is called they side with the capitalist employer; property rights seem to be more sacred than human rights. This also remains as a causal factor of industrial disputes.

In Islam, however, absolute ownership of everything belongs to God alone (Qur'ān, iii. 190). Man is Allah's vicegerent on earth. Thus legal ownership by the individual is recognised subject to the moral obligation that in all wealth all sections of society and even animals have a right to share (Qur'ān, li. 20). In fact, "this supplementing of legal obligations with moral obligations to be discharged through voluntary effort runs through every part of the Islamic system." Moreover, the sovereignty of the State also belongs to Allah. The Head of the State is His Caliph. As a matter of fact, equality of the whole mankind in the eye of Allah establishes a kind of rule of law which distinguishes the Islamic State from Secular States. In such a scheme of society the court cannot interpret laws in the way it likes, the legislature may not pass any laws simply by majority. In fact, the whole code of conduct of the State must be consistent with the injunctions of the Holy Qur'ān and the Sunnah. In such a state of affairs there is no scope for exploitation and injustice. The interests of the labourers, nay, of the whole mankind, are, therefore, safeguarded in the best possible ways.

Employers' Interests and Islam. Again, Islam is quite alive to the interests of the employers as well who can also make a positive contribution towards the welfare of the society. Employers' interests, nay, the interests of the society as a whole, may be best safeguarded: (a) if the employees, no matter whether they are industrial employees or Government employees, act faithfully and honestly, and (b) if the employees work with a high sense of dignity of labour. Since the modern society is drifting towards materialism to the utter neglect of spiritual and moral values of life, it is difficult, rather impossible, to get workers imbued with a spirit of austerity of conduct and of a high sense of dignity of labour. Obviously, there

is an eternal conflict of interests between classes in the modern society. Islam is for balanced growth of the society for which the existence of happy relationship between master and servant is considered an essential precondition. That is why Islam has tried to impress upon the working class as a whole to work faithfully, honestly and with a deep sense of dignity of labour. A number of authentic *ḥadīths* may be quoted in support of this contention.

Thus it is related on the authority of Ibn Mājah that the Holy Prophet (be peace on him) said: "The best earning is that of the labourer provided he does his job with care and regard for his employer."⁵ In fact, servants who carry out the orders of their masters faithfully are ranked with those who give charity. Ibn Mūsā reported that the Prophet (be peace on him) said: "The faithful treasurer who pays what he is ordered with a willing heart is one of those who give charity." Moreover, it is really a duty of the servant to act according to the terms of the contract of service. The Prophet (be peace on him) said that the Muslims shall be bound by the conditions which they make. Obviously, if conditions of service do not entitle the employees to take anything as gift, they are entitled only to their wages or remuneration. Abū Humaid said, the Prophet (be peace on him) appointed, from among the Azd, a man called Ibn al-'Utbiyyah, for the collection of Zakāt. When he came, he said, "This is for you and this was given to me as a gift." He (the Prophet) said, "He should have got down in the house of his father or the house of his mother, then he should see whether a gift is given to him or not" (Bukhārī, 1: 17).

Islam also condemns an employee's misappropriating or dishonestly taking any part of the master's property. Abū Hurairah said, "The Prophet (be peace on him) stood up among us, and he spoke about dishonesty and he spoke of the enormity of its commitment. He said, 'I should not see any one of you on the Day of Resurrection there being on his neck a goat bleating, there being on his neck a horse neighing, so he should cry out "O Messenger of Allah! come to me," and I would say, "I do not control aught for thee. I delivered the message to thee"' (Bukhārī, 56: 189). The condition described here relates to Resurrection and

5. Ibid.

hence it speaks of spiritual experience in physical terms, the significance being that every dishonesty, great or small, shall ultimately be brought to light and punished. From this it follows that in an Islamic State trade unions indulging in sabotage which amounts to a number of activities ranging from "soldiering" to malicious destruction of plants and equipment cannot be encouraged, rather, an Islamic State is quite competent to frame any laws prohibiting trade unions indulging in anti-social activities. This is in accordance with the spirit of Islam.

Islam has also stressed the importance of dignity of labour not only for the protection of the interests of the employers, but also for maximising the production. The Holy Prophet himself doing the work of tending of goats in his earlier days, even such a service is considered honourable and the Prophet's Companions did not disdain the work of a porter. Abū Hurairah reported the Prophet (be peace on him) having said, "Allah did not raise a Prophet but he pastured goats." His Companions said, "And thou?" He said, "Yes, I used to pasture them for the people of Mecca for some carats" (Bukhārī, 37: 2). Again, Abū Mas'ūd said: "When the Messenger of Allah (be peace on him) commanded us to give charity, one of us went to the market and carried a load for which he got a 'mudd' and some of them are millionaires today." The significance of inculcating the spirit of dignity of labour among different categories of the working class lies in the fact that the Muslim countries of today all over the world are under-developed. There is a crying need for development to improve the lot of common men, a vast majority of whom are still living below starvation level.

From the above analysis it can be said that Islam has tried to bring about a lasting compromise between labour and capital by giving the whole question of relationship a moral bent and by making moral obligations on each other as part of the faith. Here also Islam proves superior to secularism which has not succeeded in harmoniously fitting labour and capital in a social mosaic.

6. Conclusion

1. Both the Qur'ān and the Sunnah have laid much emphasis

on the proper and efficient cultivation of land. Wastage of land in any form is condemned. But cultivation of land should not be the only occupation of the people in an Islamic State. The State can make rules to ensure that land as a factor of production is used in such a way that the objective of the balanced growth is achieved for the benefit of the community. The Prophet tried to impress upon his followers to cultivate land by themselves, make it a rule that one should retain in his possession so much of land as he cultivates himself.

2. (a) The spirit of the Qur'ānic law is undoubtedly in favour of peasant-proprietorship. Any land tenure system which limits the benefit to a few to the neglect of the majority of the people is un-Islamic. Islam condemns landlordism. But the actual form and type of peasant-proprietorship is relative to the needs of the community and is subject to change within the dynamic framework of growth. Peasant-proprietorship does not mean that everybody should have equal portion of land for cultivation. Islam recognises the differences in the ability of men and consequent differences in income. The Qur'ān does not accept any situation in which some have too much and some nothing at all.

(b) The practice of letting out land on a fixed amount of produce—a counterpart of interest—in agricultural field is unlawful in Islam.

(c) The land tenure system introduced by 'Umar the Great is a living testimony to the fact that the Qur'ānic law with regard to land is quite practicable. To save the Muslim society from the evils of feudalism, Ḥaḍrat 'Umar prohibited the purchase of land by Muslims in the conquered territories of Syria and Iraq. He also stopped, not only the practice of distribution of land in the conquered territory among the Muslim soldiers, but also impressed upon the people to cultivate the land. The Caliph 'Umar is reported to have taken back some of the lands which the Prophet had given to Bilāl on the ground that he did not cultivate the entire land given to him. He emphasised that one must lose one's right of ownership if one did not cultivate land within a term of three years. To my mind, if this condition of three years is linked up with the right of ownership, agricultural production is likely to go up. However, Ḥaḍrat 'Umar introduced

many reforms in the field of agriculture. Different kinds of land tenure systems were prevalent during the Caliphate of Ḥaḍrat 'Umar of which the following systems are the most important :

(1) Iqṭā' or individual ownership

(2) Ḥimā

(3) State-landlordism

(4) Peasant-proprietorship

(d) The land reform programmes carried out during the first three Plans of Pakistan have shown satisfactory results. We need not be complacent about it. We shall have "to direct the forces of economic and social change towards the establishment of a just society".

3. The question of family planning in Islam is a very controversial issue because silence of the Qur'ān and absence of clear rulings from Ḥadīths have paved the way for various interpretations with the change of time and circumstances. However, arguments for family planning appear to be more forceful than the arguments against the same. The author is inclined to recommend a comprehensive population control policy for the world of Islam including Pakistan.

4. Islam does recognise the share of capital—a share which is variable. Thus, it is because of the presence of the element of profit that capital can grow even in the interest-free economy of Islam. Various injunctions of the Qur'ān go to prove that Islam can bring about a compromise between two opposites of capital creation : reduced current consumption and increased future consumption, thereby allowing capital to play its true role in the productive process.

5. Islam does not recognise the exploitation of labour by capital, nor does it approve of the elimination of the capitalist class from the social framework as we find in the case of Marx's analysis of classless society. If the main causes of modern industrial conflict as well as the various Islamic injunctions are analysed side by side, one can easily say that Islam safeguards the interests of both labour and capital within its framework of self-contained distinct organism. In fact, Islam brings about a union between labour and capital by giving the whole problem a moral bent.

Appendix to Chapter V

SOME FATWĀS (RULINGS) ON FAMILY PLANNING*

(1) *Fatwā : The Legality of Contraception*

*His Excellency Ayatollah Hajji Bahaeddin Mahallati
of Iran*

Question :

Would you permit and is it religiously lawful that a physician, temporarily, prescribes drugs or contraceptive devices for excessive human reproduction ?

Answer :

In the name of God : From the standpoint of the divine law, the utilisation of drugs or contraceptive devices, especially if it is temporary, to control human fertility does not seem illegal if this practice does not lead to damage the female's fecundity and make her barren.

Source : Bahaeddin Mahallati, response to question from Dr. Mohammad Sarram in a letter dated Nov. 12, 1964.

(2) *Fatwā : Law Number 81, Register 43*

Sheikh Abdul Majid Salim, the Musti of Egypt

Question :

The married man has a child. He fears if he gets many children that he may be embarrassed by becoming unable to bring them up and take care of them, or that he may suffer ill-health and a nervous breakdown from the inability to fulfil his duties and responsibilities towards them ; or that his wife's health may be effected from repeated pregnancies and deliveries without having intervals for her to rest and regain her strength and compensate for what her body lost during pregnancy.

Does he or his wife have the right to take some scientific measures according to a doctor's advice which lengthen the intervals between pregnancies, so that the mother can have rest and regain her health, and the father would not be under health, economic or social stress ?

*Reproduced from *Birthright*, Special Number.

Some Fatwās (Rulings) on Family Planning

Answer :

It is allowed to take some measures to prevent pregnancy under the circumstances cited in the question, either by ejaculating outside the vagina, or by the woman inserting something to shut off the opening of the uterus to prevent entrance of the seminal fluid.

The principle is : that it is not the right of the man to ejaculate outside the vagina except with the permission of his wife and that it is not the right of the woman to shut off the opening of her uterus except with the permission of the husband.

But it may be allowed for the man to ejaculate outside the vagina without permission of the wife if he is afraid of having aberrant offspring, e.g. due to bad living environment, or due to the man being in far travels and being afraid about the child.

By analogy, it may be allowed for the woman to shut off the opening of her uterus without permission of husband if she has reasons for that.

To sum up : either husband or wife, with the permission of the partner, is allowed to take measures to prevent entrance of the seminal fluid into the uterus as a method of birth control : and either of them may take such measures without permission of the partner if there are reasons such as those cited or similar ones.

Is it permissible to do a therapeutic abortion ? According to the great authorities in Islam, it is permissible for a pregnant woman to terminate pregnancy in the early months before fatal movements occur, if the health of the mother is endangered.

Source : Abdul Majid Salim, Fatwa issued from Dar el Efta, No. 81, register 43, 12th Dhi al Qaada 1355 (January 25, 1937), in *Journal of the Egyptian Medical Association*, vol. 20, No. 7, July 1937, pp. 54-66.

(3) *Fatwā : Azhar University*

*Mohd Abdul Fattah el Enani, Chairman, Fatwa Committee,
Azhar University, United Arab Republic*

Question :

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nervous breakdown from the inability to fulfil his duties and responsibilities towards them; or that his wife's health may be effected from repeated pregnancies and deliveries without having intervals for her to rest and regain her strength and compensate for what her body lost during pregnancy.

Does he or his wife have the right to take some scientific measures according to a doctor's advice which lengthen the intervals between pregnancies, so that the mother can have rest and regain her health, and the father would not be under health, economic or social stress?

Answer:

The use of medicine to prevent pregnancy temporarily is not forbidden by religion, especially, if repeated pregnancies weaken the woman due to insufficient intervals for her to rest and regain her health. The Koran says: "... Allah desireth for you ease. He desireth not hardship for you ..." (2/12/185); "... And hath not laid upon you in religion any hardship. ..." (22/78). But the use of medicine to prevent pregnancy absolutely and permanently is forbidden by religion.

Source: Abdul Fattah el Enani, Fatwa Committee, Azhar University, Response to Question No. 6746 by Dr. Muhammad Kamel Abdul Razzak, March 10, 1953.

(4) *Fatwā: On Birth Control*

Advisory Council on Religious Affairs in Turkey

We received the inquiry from the General Directorate of Health Affairs (No. 10456 dated 13-12-60), asking whether measures for birth control were legitimate according to the Muslim religion; this inquiry was forwarded to us by the Ministry of Health (No. 35759, dated 13-12-60) and our council has examined the matter.

Although coitus interruptus which could be considered as a means of birth control was condemned by certain of the Prophet's disciples, and by those scholars who followed them, it was considered lawful by the scholars among the disciples (including sages such as Hazreti Ali, Sa'ad Ibni Ebi Vakkas, Zeyd Ibni Sabit, Ebd Ayyubu 'l Ensaf Cabir, Ibni Abbas, Haorti Hasan Habbab Ibni Erett, Ebi Saidi' i-Hudrf, Abdullah Ibni Mesud), and, in deference to their views, by all subsequent scholars.

We can go so far as to say that, while the woman's consent is normally a necessary condition, if the perpetrating of children is made impossible by the conditions of the time, such as the State's being in a state of war or disorder or similar circumstances, then this condition will also not apply.

We have decided to submit these findings to the Ministry in answer to the above-mentioned inquiry.

Source: Advisory Council on Religious Affairs in Turkey, Decree, December 19, 1960.

(5) *Fatwā: Family Planning in Islam*

Shaykh Abdullah Al-Qulqul, the Grand Mufti of Jordan

In the name of God, The Merciful and The Compassionate. Fears of the world from the increase of population have assumed serious proportions everywhere, and experts have come to regard this as a portent of woe, ruination and dire consequences. In their consideration how the world can be protected against towering evil and grave menace, they have been led to think that "restriction of procreation" is one of the greatest measures. They know, however, that most people do not follow this course unless the ruling of religion in this respect has been made clear to them. Therefore, Muslims have looked up to reliable religious divines to state to them the ruling of religion on the subject. Questions converged on us for this purpose, including questions from official sources. This is our Statement on this matter.

It is acknowledged that the liberal Islamic law accommodates itself to nature and to human conditions. God says: "Set thou thy face then, as a true convert, towards the faith—the nature made by God in which he has made men; there is no altering of God's creation."

One of the natural things inherent in human beings is marriage. But the purpose of marriage is procreation for the perpetuation of the species. The divine Koranic verse refers to that, and regards it as one of the blessings bestowed upon God's servants. God says: "God, too, has given you wives from among yourselves and has given you sons and grandsons from your wives, and supplied you with good things." Therefore, marriage has been one of the Islamic religious ways and procreation has been one of its

nervous breakdown from the inability to fulfil his duties and responsibilities towards them; or that his wife's health may be effected from repeated pregnancies and deliveries without having intervals for her to rest and regain her strength and compensate for what her body lost during pregnancy.

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We can go so far as to say that, while the women's consent is normally a necessary condition, if the proper raising of children is made impossible by the conditions of the time, such as the State's being in a state of war or disorder or similar circumstances, then this condition will also not apply.

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desirable and gratifying aims. Even the law-giver views multiplicity with favour, for multiplicity implies power, influence and invulnerability. This is why, in one of the traditions of the Prophet, marriage with an affectionate prolific woman is strongly urged. The tradition says: "Marry the affectionate prolific women, for I shall be proud of you among the nations."

Nevertheless, the lawgiver made marriage with a prolific woman and marriage for procreation conditional upon the availability of means and the ability to bear the costs of marriage and to meet the expenses of child education and training so that children may not go to the bad and develop anti-social ways. And according to Islamic religious rule (laws change as conditions change), marriage should be disallowed if the would-be husband is incapable of meeting the expenses of married life. To this, reference is clear in the Koran and in the Traditions. The Koran says: "And let those who do not find a match live in continence until God makes them free from want out of his bounty." The Tradition says: "O young men, whoever of you is capable financially let him marry, and whoever is not capable let him fast, for fasting is preventive." From the foregoing verse and the tradition, the definite inference is that "restriction of procreation" is legal *a fortiori*; because to stop procreation altogether is more serious than to limit it. It is a cause for much wonder that those who urge celibacy should at the same time hesitate to allow family planning.

Moreover, there are genuine traditions which allow methods for restricting procreation, such as coitus interruptus. For instance, in the two most reliable collections of traditions, Abu-Said is reported to have said that in one of the raids, he and others captured a number of women, and they used to practise coitus interruptus. He also said that they asked the Prophet about that and the Prophet said: "Indeed, do that," and repeated it three times, and continued: "No creature to be created from now till the Day of Judgment will not but be created." Another report has it that a man said to the Prophet: "I have a young wife, I hate that she should be pregnant, and I want what men want; but the Jews claim that coitus interruptus is minor infanticide." The Prophet replied, "The Jews lie. If God

wishes to create the child, you will not be able to divert him from that." In the two reliable collections of traditions, it is stated that Muslims used to practise coitus interruptus during the lifetime of the Prophet and during the period of the Koranic revelation. It is also reliably reported that Muslims used to practise coitus interruptus during the life-time of the Prophet; the Prophet knew of this, but he did not prohibit it.

In these genuine traditions there is definitely permission for the practise of coitus interruptus which is one of the ways of contraception or for restricting procreation even without excuse. Permission for this practice was reported by a number of the Prophet's Companions and Companions of the Companions, as laid down in the Four Orthodox Ways. A corollary of this is the dispensation for the use of medicine for contraception, or even for abortion before the embryo or the foetus is animated. The Hanafie allow that, if for an excuse.

The jurists gave examples to illustrate the meaning of the excuse for abortion, as in Ibu Abidin who says: "Like the mother who has a baby still unweaned and who becomes pregnant and thus her milk ceases, and the father is unable to hire a wet nurse to save the life of his baby."

The jurists also state that it is permissible to take medicine for abortion so long as the embryo is still unformed in the human shape. The period of this unformed state is given as 120 days. The jurists think that during this period the embryo or the foetus is not yet a human being. A report says that Omar (The Second Caliph) does not regard abortion as infanticide unless the foetus is already past the limit.

Milik, the founder of the Miliki Orthodox Way, says that the husband should not practise coitus interruptus with his wife unless she permits it. Al-Zarqani, in his comment on this, says that the practice is lawful if the wife allows it. Permission or prohibition of coitus interruptus may serve as a guide in deciding the question of abortion before the foetus is animated.

All this shows that there is agreement among the founders of the four Orthodox Ways that coitus interruptus is allowed as a means of contraception. Religious savants inferred from this that contraceptives might be used, and even medicines might be used

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All this shows that there is agreement among the founders of the four Orthodox Ways that coitus interruptus is allowed as a means of contraception. Religious savants inferred from this that contraceptives might be used, and even medicines might be used

for abortion.

Accordingly, we hereby give our judgment with confidence in favour of family planning.

Source: Abdullah Al-Qalqili, "Family Planning in Islam," Statement, December, 1964, mimeo issued by the International Planned Parenthood Federation.

(6) *Fatwā: Ruling for Birth Control.*

Al-Syyid Yusof bin Ali Al-Zawawi Musti of Trengganu, Malaysia.

"Bismilla-hirrahma-nirrahim Al-hamdulilla-hi wabihi-nasta'inu."

The formation of bodies and associations for the purpose of family planning is an act demanded of Muslims by the religious laws of Islam. Muslims past and present have thought deeply about this subject and books of hadith (sayings of the Prophet) and jurisprudence in all schools have carried on a long controversy without coming to a definite conclusion. During the time of the Companions the act of preventing conception was called "al-azl," which means preventing the male semen from entering the female womb. The Prophet was asked his opinion on the nature of this act. His answer was, approximately, "It is best that you do not practise such acts. Every soul that God has seen fit to create even to the Day of Judgment must be born nevertheless." (From this saying it should be understood that the Prophet did not forbid the practice of birth-control but He nevertheless advised the Companions not to indulge in it habitually).

Muslim theologians speculating upon the position of children have wondered whether by right a child belongs to its parents or to just one of them or whether by right a child belongs to both parents and to society in general. Opinions differ according to times and situations. Islam is a religion that urges its adherents towards unity whether in faith, economics or health. The teachings of Islam do not contradict medical science in the least where laws of health are concerned. About this all Muslim theologians are unanimous.

The Holy Quraan itself has often stated facts concerning health and physical welfare as in the following words of Allah, "Walwa-lida-tu yurdhi'na aula-dahunna haulaini ka-milain liman are-da an yutimma radha- 'ah wa 'alal mauluudi lahuu sizquhunna

wa kis watuhunna bil ma'ruf bu-tukallafu nafsun ilbe wus' aha-al-tudha-va wa-lidatun biwala diha waq-mauluudun lahuu biwala-dihi," which means mothers who wish to breast-feed their infants usually do so for about two years (the Quran urges mothers to breast-feed their babies, for as proved by medical science a mother's milk contains all the foodstuff necessary to give strength to nurture her child). To the fathers is entrusted the responsibility of clothing and feeding their families in a decent and suitable manner. Every person is given responsibility to the degree of his ability. Therefore let not a mother harm her child nor should a father do likewise. (This statement is to be taken to mean that the mother who is breastfeeding her infant should take care not to conceive again so soon for it might harm the little one at her breast. From this statement we can also see that the Quraan certainly does encourage the practice of family-planning).

It has been told by Asma' binte Yazid Al-Sakan that she once overheard the Prophet saying "La-taqtuluu aulu-dakum sirran fa'innal ghil yudrikul fa-risa fayudo'thiruhu min farasihi" which means, "Do not kill your children in secret for 'al-ghil' (intercourse with a woman while she is breast-feeding her infant) is like a horse-rider in a fight who shall be thrown off the horse trampled (this is to show that an infant conceived while its mother is breast-feeding another is weak in constitution)."

Theologians of jurisprudence have concluded that birth control is 'makruh' (frowned upon because of religious reasons) for they regard children as belonging to the community as a whole and this conclusion they based upon the words of Syyidina Abu Bakr, Umar and Ibn Masuud. Birth-control will result in the decrease of descendants. Where husbands and wives are concerned, it is ruled that it is forbidden for the husband to prevent his semen from entering the wife's womb without her consent unless there are imperative reasons compatible with the rulings of Muslim laws. Examples when incomplete intercourse is permissible occur when the couple is living in a country at war in the cause of Allah and pregnancy, along with the difficulties of travel and war, might further weaken the woman, for then the necessary rest and safeguard of health may not be possible. Among those who concur with such opinion is Al-Sheikh al-Hijrah Musaffiguddin ibnu

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Auda-ma Al-Hambali who died in the year 630. And according to the opinion of Al-Imam al-Nawawi (died in the year 676 al-Hijrah) recorded in his book "Sharh Sahih Muslim" his conclusion is:

The act of 'al-'azl, or the prevention of the male semen from entering the female womb is to be disapproved of on any ground irrespective of the wife's consent for it means cutting off the future generation and this the saying of the Prophet is called 'al-wa' dul Khafij' (secret burial of children). It cuts off life just as effectively as murdering a child by burying it alive.

In brief, I incline to see that there are three aspects to this problem. (i) If prevention of conception is necessary for health reasons, whether of the wife, the husband, or the child-to-be, there are absolutely no religious laws against it, as stated in the sentence "al-tudha-ra wa-lidatun biwahadiha wala maulu-dun lahu biwaladihi." This also means that it applies to definite and specific length of time and for special circumstances. (ii) After conception theologians of jurisprudence differ in their thinking, whether incomplete intercourse is permissible before the foetus has acquired a life of its own (this is usually four months after conception). But after four months they are unanimous in agreeing that it is "haram" or forbidden. Should the foetus be expelled through voluntary abortion those responsible for the act, the doctors, midwives, etc. have to pay blood-money to the parents should it come out alive but should be dead they are to pay the price of a slave to the parents, and the parents, who agreed to the abortion, are to pay a fine to religious authorities. (iii) The total prevention of pregnancy or sterilization without reasons sanctionable by religion, although done voluntarily, is absolutely forbidden.

For the above explanation it could be seen what stand Islam takes upon this question of family-planning. The bodies and associations to be set up in connection with this question must therefore work in accordance with what is permissible by the laws of Islam as explained in the ruling given by His Honour Al-Sheikh 'Abdul Fattah Al-'Inani.

Birth-control practised from no health reasons or merely for the sake of preserving the beauty of the figure or as a means

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of escape from the responsibility of bringing up children is un-animously judged to be 'haram' or forbidden. A Muslim should not agree to the practice. Allah has shown His blessings on us in His words: "Wulluhu ja'ala lakum mim anfusikum azwajan waja'ala min azwjikum bani-na waha-fadatan warazaqakum minathaiyibat," which means "Allah has created you and given you your wives and from your wives offsprings and descendants and to you are also given gifts of goodly things."

Indeed birth-control practised because of poverty and because of health reasons is not accepted by the laws of Islam because both government and society are required to look after the propagation of their members in order that the society should become strong, powerful and great in the eyes of other nations.

In brief the ruling of religious laws upon this question depends very much upon the position of both husband and wife. I therefore strongly suggest that the government elect a body of genuinely responsible individuals with conscience toward God and men to see that the purpose of such associations is honestly carried out to the advantage of a nation which badly needs fine descendants to take over the responsibilities of the future. Such a body of men and women of integrity would ensure that the associations will work with inner discipline and in accordance with the strictest laws of Islam.

It is the purpose of such associations to give words of advice, wise and sensible, to husbands and wives, so that they might safeguard domestic harmony and family health. This is indeed a very worthy venture and it should be given full and every encouragement.

Source: Al-Syyid Yusof bin Ali Al-zawawi, "Ruling for Birth Control".

Chapter VI

DISTRIBUTION OF INCOME AND WEALTH IN ISLAM

1. Introduction
2. Rent and Wages in Islam
3. Ribā, Interest and Profit
4. Islamic Law of Inheritance and Its Economic Significance
5. Summary and Conclusion

In order that it (wealth) may not (merely) make a circuit,
between the wealthy among you.

—*al-Qur'ān*, vii. 59

The wages of a labourer must be paid to him before the
sweat dries upon his body.

—*Prophet Muhammad* (be peace on him)

1. Introduction

It is on the issue of distribution of national income that the widest and bitterest controversy has been and is still going on between different sections of the people of every democratic country of the present-day world, since the economic welfare of the masses depends vitally upon the manner in which the total national income is distributed among the people. Common sense suggests that the theory of distribution should deal with the problem of distribution of national income among different classes of people. In particular, it should be in a position to explain the phenomenon that a few are very rich, while the great many are poor. Unfortunately, the tradition among modern economists is to treat the distribution problem not as a problem of personal distribution but as a problem of functional distribution. "The modern economic theory of distribution is a theory of pricing of productive service. It seeks to find out the value of the service of different factors of production. In this respect, the distribution theory is but an extension of the general theory of pricing. The problem of personal distribution can, perhaps, best be solved as soon as we investigate into the problem of ownership of factors of production. The theory of factorial or functional distribution helps us to determine the prices of the services rendered by the different factors of production, such as land, labour, capital and organisation." But under capitalistic economy a person may get rent. As a labourer, he may get wages. As a capitalist, he may earn interest. As an entrepreneur, he may also be the recipient of profit. Now is the time to examine how a person gets income from various sources and in various capacities under the Islamic system of economics. Let us now analyse the earnings of land (i.e. rent) and labour (i.e. wages) in the first instance.

2. Rent and Wages in Islam

As far as I know there is no evidence on record that the conception of rent in the modern sense of the term was developed during the lifetime of the Prophet. Possibly, at that time there was no scarcity of land as such. But the need for lasting and per-

manent land system was felt during the Caliphate of 'Umar the Great, resulting from the conquest of Iraq, Syria, Iran and Egypt. To my mind, the conception of rent in its crude form developed not only from 'Umar's revolutionary step of prohibiting the purchase of land by the Muslims in the conquered territories but also from his stopping the practice of distributing conquered lands among the Muslims, thereby allowing the original tillers to cultivate their lands on payment of Kharāj and Jizyah.

But the basic question which is agitating the minds of many Muslim and non-Muslim scholars is not whether the conception of rent developed during the Caliphate of 'Umar or at some subsequent stage of Muslim history but whether the fixed rate of rent which appears to be synonymous to a fixed rate of interest is allowed in Islam. Before answering the question I like to discuss the modern concept of economic rent very briefly. According to Ricardo, rent is that part of the produce of the soil which is paid to the landlord for the use of the original and indestructible properties of the soil. Rent, according to Ricardo, is a differential surplus. It is the difference between the produce of the superior land and that of the inferior land. Rent may also emerge due to the scarcity of land in relation to demand. Thus Professor Marshall has rightly observed that the distinction between "differential rent" and "scarcity rent" is one of approach only. The rent enjoyed by a piece of land may be looked upon as a differential rent, if we compare its yield with that of an inferior or marginal piece of land, when both the pieces of land are worked upon with similar appliances. On the other hand, the rent enjoyed by the same piece of land may be looked upon as "scarcity rent" which emerges because of the scarcity of the total supply relatively to the demand for this type of land. Superior lands get high "scarcity" rents because of limitation to the total supply of such lands relatively to the total demand for them. Alternatively, superior lands earn high "differential" rents because of the great difference between their produce and the produce of the marginal land. "In fact, the essence of the conception of rent is the conception of a 'surplus' earned by a particular unit of a factor of production over and above the minimum earnings necessary to induce it to do its work. Historically and verbally, this conception is closely

associated with the idea of 'free gifts of nature' which economists designate by the term 'land'. Since land does not owe its existence to human efforts, the whole of the earnings of land may be designated as 'rent' in the economists' sense, since the free gifts of Nature do not require to be paid in order that they might be induced to exist.

"But there is no reason to suppose that rent is associated with land alone. Particular units of the other factors of production (e.g. labour, capital and entrepreneurship) may also earn rent whenever their remuneration happens to be in excess of the minimum amount necessary to keep that factor in its present occupation."

Rent and Interest. Coming back to the question of difference between rent and interest, it can be said that since there is no clear tradition as regards payment of rent, all questions pertaining to rent will have to be x-rayed through the application of the dynamics of Islamic Law. Viewed from the standpoint of Islamic Law, payment of rent does not seem to be inconsistent with the economic ethics of Islam because of the wide difference between rent and interest. But superficially both rent and interest appear to be one and the same. Because it is said that rent is on land, or property, the interest is on capital which has the potentialities to be converted to any property or asset. So it is argued that the right of "ownership of land does not presuppose the unrestricted right to let out such land on rent just as the right to own money does not imply the right to practise usury". In spite of the superficial similarity, the transaction and the returns in both the cases are widely different in several ways. Firstly, rent is the result of initiative, enterprise and efficiency. It results after a definite value-creating process, because the owner of the property or asset remains involved in and concerned with its use by the user throughout. But it is not so with interest, because the lender becomes unconcerned with the use of the loan after his loan is secured and interest thereon guaranteed. Secondly, it follows that in case of rent productive effort is very necessary in the process of value-creating, because economic endeavour is made by the owner of the capital by converting it into property or asset. Thus the element of entrepreneur remains as much patent and alive as in

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producing any goods and services but interest may even retard the value-creating process. Since the lender remains unconcerned with the use of the loan, the element of the entrepreneur is altogether missing.

Thirdly, in the case of rent the owner of capital himself determines the pattern, size and utility of the product. Therefore, it is restricted to definite and purposeful use, whereas in the case of interest the real owner does not seem to be interested in the economic use of his capital; therefore, capital is rendered liable to abuse.

Fourthly, in a sense rent does not enter into price. "Corn is not high because a rent is paid but rent is paid because corn is high." But interest does enter into price, retards the process of production and poor consumers are hard hit.

Fifthly, since the element of loss is very much present in the case of rent, the use of capital by the owner for earning rent does not create any idle class in the society, whereas the element of loss is missing altogether in the case of interest which can make the rich richer and the poor poorer.

Finally, it is true that "capital is converted and has the potentiality to be converted to any property or asset, but this potentiality of capital is left to the discretion of the user, viz. the means or production are vested in the borrower; whereas in the other case the capital remains vested in the owner and not the user. The fact of the matter is that rent on a property or hire on an asset is more synonymous to wages and salary or the margin of gross profit determined by the manufacturer or trader on his good or 'remuneration' charged by any profession; and strictly unlike interest on capital".

Wages in Islam. Let us now switch over to the question of wages in Islam. What is wages? It refers to the earning of labour. We can look at wages from two points of view, the monetary and the non-monetary. The quantity of money earned by labour during a period of time, say, a month or a week or a day, refers to the nominal wages of labour. The real wages of labour which depends on various sectors like the amount of money wages, the purchasing power of money, etc., may be said to consist in the quantity of necessities of life which labour actually earns by his

work: "The labourer is rich or poor, is well or ill rewarded, in proportion to the real, not to the nominal, price of his labour" (Adam Smith).

The generally accepted theory of wages is the Marginal Product Theory, according to which wages are determined by the equilibrium between the forces of demand and supply. Assuming the supply of labour constant in a greater period of time, the demand for labour, under capitalistic framework of society, comes from the employer who employs labour and other factors of production for making profits out of his business. As long as the net product of labour is greater than the rate of wages, the employer will continue to employ more and more units of labour. He will naturally stop employing the additional labourers at the point at which the cost of employing a labourer just equals (in fact it is little less than) the addition made by him to the value of the total net product. "The individual employer, like the individual consumer, hires as many labourers as will equate the marginal product of labour to the prevailing rates of wages. It is the demand of all employers taken in the aggregate in relation to the given supply that determines the marginal product of labour as a whole and the rate of wages in the market.

Even if the Marginal Productivity Theory of wages which has been subjected to various criticisms is taken for granted, it will remain valid only under conditions of perfect competition. In actual world, however, competition is never perfect. There may be lack of competition among the employers. Labour, we know, is the most perishable of all commodities. On the other hand, the employer as such is in an advantageous position. "For it must be remembered," says Professor Marshall, "that a man who employs a thousand others is in himself an absolutely rigid combination to the extent of one thousand units among buyers in the labour market." Due to their weakness in bargaining, the labourers, under Capitalism, are likely to get wages much lower than their marginal product.

This exploitation of labour by the employers is foreign to the Islamic faith. Here it is heartening to quote the Holy Prophet's (be peace on him) observation: "Man has no right in his share in which God has no right. God's share is His command to give

everyone his due and not to encroach on what belongs to another." The Prophet (be peace on him) is also reported to have said: "The wages of a labourer must be paid to him before the sweat dries upon his body." Again, it is related on the authority of Ibn Mājah that the Prophet (be peace on him) said: "It is the duty of the employers to take only such works from their employees which they can easily do. They should not be made to labour so that their health is told upon." The fact is that in a scheme of Islamic society, decent wage is not a concession, but a fundamental right, enforceable with all the might of the State. Once this reorientation of State attitude has been accomplished, the actual fixation of wage and productivity formulae will be a matter of correct adjudication. In all Muslim States of the world, there is supreme need for reaffirmation of the progressive ideals that should govern labour laws and acceptance of the principle of universally recognised labour rights such as the right to strike, the right to fair wage, that to social security, share in profits, etc. The acceptance of these rights does not mean that labourers will have unrestricted freedom to do anything and everything. Islam has condemned misappropriation or dishonestly taking any part of the master's property. The Prophet (be peace on him) is reported to have said that "the best earning is that of the labourer provided he does his job with care and regard for his employer". The Islamic State is competent to curb any anti-social activity of the labourer. In fact, Islam stands for the balanced growth of society for which a compromise between labour and capital is considered to be an essential precondition. We believe that if labourers and employers are imbued with the values of Islam, prohibition of strikes and lockouts will be unnecessary and relatively unimportant. Now, the fundamental problem before the Muslim States is not how to prohibit or restrict strikes but how to inject Islamic values of life into the existing labour-capital relationship.

Differences in Wages. At this stage, it seems necessary to analyse whether differences in wages are recognised by Islam. Because so far it has been tacitly assumed that all labourers will be paid the same rate of wages. But in life, we come across a good deal of differences in wages. There are various factors which are

responsible for these differences in wages. Cairnes has referred to the existence of a non-competing group among workers. There is a broad distinction between intellectual and manual workers, skilled and unskilled workers. There is very little mobility of labour between the two kinds of work. It follows that the equilibrium level of wages for each of the non-competing groups will be determined by the supply schedule and the demand schedule of each group.

Wage differences may also arise due to differences in non-monetary advantages. Some kinds of work are more pleasant, or at least less disagreeable than others. Differences in cost of training often account for differences in wages. Wage differences may also be due to sheer ignorance and immobility. However, in a sense, Islam has recognised these wage differences among different grades of workers. Because the diversity of capacities and talents resulting in diversity in earning and material reward has been recognised by the Holy Qur'ān (iv. 33). Islam does not believe in the dead-level equality in the distribution of wealth, because any social progress in the real sense of the term calls for the fullest opportunities for the growth of talents which, in their turn, demand the recognition of the principle of differences in wages. This Qur'ānic approach in respect of determination of wages tempered by the consideration of ability and talents is one of the most significant contributions towards the progress of human civilisation. The basic conditions as laid down, in this connection, both in the Qur'ān and the Sunnah are that the employers shall pay the workers fully for the service rendered and that the workers shall do their work faithfully and to the best of their ability. Any failure to fulfil these conditions will be treated as moral failure on the part of both the employers and the workers for which they will be answerable to God. But under the capitalistic society they are answerable to none. Here also, once again Islam establishes its superiority over secularism in handling the affairs of the State.

3. Ribā, Interest and Profit

The Qur'ānic prohibition of taking "al-Ribā" is clear and

categorical. To my knowledge, nobody disputes this. But the controversy arises over the distinction between al-Ribā and interest. One school of thought believes that what Islam has prohibited is al-Ribā, not interest. Another school of thought feels that there is virtually no distinction between Ribā and interest. Therefore, the first question which is to be answered is whether there is any distinction between al-Ribā of the Qur'ān and interest of the capitalist world. Secondly, even if they are one and the same, is it possible to have an interest-free society? The last not the least question requiring a careful attention is the difference between interest and normal profit.

Ribā and Interest. In order to give an answer whether Ribā and interest are one and the same, one has to understand the meaning of al-Ribā in its correct historical perspective. The liberal meaning of the term which means increase or growth is not helpful for the purpose of our analysis, because any and every increase like the one accruing from trade or manufacture is not prohibited. But the use of the definite article "al" before "Ribā" is indicative of the fact that Ribā refers to that practice of taking an increase of the amount due from the debtor which was prevalent amongst the Arabs and was familiar to them at the time of the revelation of the Qur'ān. Obviously, it should be so, because a prohibition which concerns the day-to-day affairs of the people should be expressed in familiar language. Consequently, the 'Ulamā', generally, have accepted it. Now we are to see what type of Ribā was actually then current among the Arabs. A number of jurists of great repute tried to define Ribā of the Jāhiliyyah. According to Mujāhid (d. 104 H.), "Ribā of the Jāhiliyyah, which God has forbidden, was that if a person owed a loan to another person he would say to him, 'I would give you so much if you grant me extension of time.'" Imām Mālik (d. 119 H.) says: "In the Jāhiliyyah, the Ribā was that when a person gave a loan for a specified period and that period expired, the lender would ask the debtor whether he would return the debt or increase the amount? If he made the payment it would be accepted, otherwise the amount of the debt would be increased and the debtor allowed an extension." Ibn Jarīr Ṭabarī (d. 310 H.), commenting on the verse appearing in Sūrah ii. (Baqarah), says: "A

debtor is called 'Murb,' because he doubles the amount of the debt." Commenting on the verse in Sūrah Āl-i-'Imrān prohibiting the charging of double or fourfold interest, he says, on the authority of Mujāhid that this was the Ribā of the Jāhiliyyah." Almost similar sentiments were expressed by Imām Rāzī (d. 606 H.) and Baiḍāwī (d. 685 H.). "The people of the Jāhiliyyah," according to Imām Rāzī, "used to advance their money and recover Ribā monthly without affecting the sum advanced. When the time for settlement came, the principal amount lent was demanded and if the debtor was unable to pay, the lender increased the amount in his own favour and granted extension of time." This was how the Arabs of the Jāhiliyyah used to transact their lending operations. Lastly, Baiḍāwī says: "If a person was due a debt after a specified time, then he would go on increasing it until the entire property of the debtor was absorbed against a small (original) loan." From all these observations of these learned jurists of different ages, it can safely be said that the Ribā which was prevalent in pre-Islamic era consisted in extending the time limit and increasing the amount due so much so that the borrower would at the end of the period of the loan return to the lender double or even more of the principal sum. Thus, judged by any standard of socio-economic ethics, the rate of Ribā was excessively high. Thus the Qur'ān's prohibition (ii. 275) of Ribā came in the following way:

Those who devour usury
Will not stand except
As stands one whom
The Evil One by his touch
Hath driven to madness.
That is, because they say:
"Trade is like usury,"
But God hath permitted trade
And forbidden usury.
Those who after receiving
Direction from their Lord,
Desist, shall be pardoned
For the past; their case
Is for God (to judge);
But those who repeat
(The offence) are Companions
Of the Fire; they will
Abide therein (for ever).

Let us now talk of interest. Haberler, in his *Prosperity and Depression*, has rightly observed that "the explanation and determination of the interest rate still gives rise to more disagreement amongst economists than any other branch of general theory." We shall later see that all theories of interest fail to answer as to why interest is paid. But the consensus of opinion is that interest is the fixed addition to borrowed capital. It is argued that this fixed addition is a reasonable charge for the use of money employed in productive process, whereas Ribā refers to usury on unproductive loans which prevailed in pre-Islamic days when people were not used to productive loans and their influence on economic growth. But to me, if there is any difference between Ribā of the Qur'ān and interest of the capitalistic society, it is one of degree, not of kind, because both Ribā and interest represent excess over capital borrowed. True, Ribā was considered to be unsophisticated compared to interest. But calling Ribā or usury by the name of interest will not change its character. The fact of the matter is that the term "excess" must be taken in a relative sense, because what is a reasonable "excess" today may be considered to be an exorbitant or usurious rate tomorrow. Many co-operative societies of the Indo-Pakistan subcontinent used to charge 12% to 15% interest and at that time it was regarded as reasonable. But today it is considered to be excessive. Therefore, the prohibition of Ribā means prohibition of all types of excesses over borrowed capital whether we call it usury, interest or earning of the capital. In fact, capital invested in trade may bring an excess called profit, which is variable and implies loss also. But capital invested in banking brings interest which is fixed and does not imply any loss whatsoever. (1) *again relative.*

Again, it is not correct to say that in pre-Islamic days loans were not granted for productive purposes. We have record to show that the Jews of Medina advanced money not only for consumption purposes, but also for trade. Mere existence then of "Mudarabah" or sleeping partnership among the Arabs was not indicative of the fact that productive interest was not in vogue among them. The fact is that the difference between productive and unproductive loans is a difference of degree. If interest on consumption loan is harmful, then interest on productive loan

must be harmful, because it enters into the cost of production and consequently in price. It is the consumers who are to bear the burden of higher prices. Therefore, in ultimate analysis, Ribā of the Qur'ān and interest of the modern banking are the obverse and the reverse of the same coin. Now the preliminary question which has got to be answered is why interest is paid.

Why Interest is Paid. There is no clear-cut answer to the question as to why interest is paid. We find a wide difference of opinion among economists regarding the theory of interest. Many great ancient thinkers regarded payment of interest as unjust. In his *Politics*, Aristotle compared money to a barren hen which laid no eggs. According to him, a piece of money cannot beget another piece. In his *Laws*, Plato condemned interest. The Roman Empire was against the charging of interest in its early stages. Though interest appeared with the rise of the capitalistic class, yet severe restrictions were imposed by the Romans by enacting laws on rates of interest. In the Middle Ages, the Christian Church prohibited the payment of usury and charging of usury was against the principles of common laws. Many early Mercantilists advocated a low rate of interest but did not answer the question why interest is paid at all?

The classical economists like Adam Smith, Ricardo and others treated interest as the compensation which the borrower paid to the lender for the profit the former would make by the use of the latter's money. Ricardo observes, "Whenever a great deal can be made by the use of it, a great deal can be given by the use of it." But the classical economists did not explain as to how to relate variable profits to fixed interest.

Again, the classical argument about interest rate's inducement for savings was sharply criticised by economists like Keynes. He held the view that it is the level of income rather than the rate of interest that ensures equality between savings and investment. Savings do not so much depend on interest as on the level of investment and employment. It is the entrepreneurs, not the savers, who disturb the equilibrium and bring dynamism in economic growth. This is how one can explain the enormous increase in savings during the present century in spite of a steep fall in the rate of interest.

Another set of classical writers have tried to answer the above question from the side of supply. It was Senior who first pointed out that the supply of capital or savings involves a sacrifice or abstinence. But the idea of abstinence was widely criticised on the ground that it suggested positive discomfort, while many of the rich people save without the least inconvenience. A socialist writer, Lasalle, ridiculed Senior by saying that "the profit of capital is the wage of abstinence". It is mainly due to these criticisms that Marshall substituted the term "waiting" for "abstinence". According to him, when a person saves, he does not refrain from consumption for all times; he merely postpones present consumption to a future date. Some inducement is needed just to encourage such a postponement or waiting and that inducement is interest. But all postponements to present consumption or waiting do not need the inducement of interest; secondly, it is impossible to evolve a uniform criterion to judge the price of "waiting". Furthermore, this explanation neglects the demand side and is, therefore, partial and incomplete. Even the productivity theory failed to justify interest. The advocates of this theory regard productivity as an inherent property of capital just as land is productive of crops. They hold that interest exists because capital leads to greater production than would be the case without its capital. Nobody can challenge that capital is productive. But it does not explain why a particular rate of interest is paid. If interest is paid because of the productivity of capital, then it should be variable, for productivity itself tends to vary from one industry to another in the same country in a given period. Further, if capital helps labour to produce more, how much of this extra production is due to capital and how much to labour, since capital without labour produces nothing? Again, consumption loans are not generally treated as productive, yet interest has to be paid on them all the same. It is not clear why a fixed interest rate is to be paid for a consumption loan which may be used for different sets of consumption. A rich man may use the loan for the purchase of a car while a poor person may go for necessities of life. In fact, all productivity theories of interest, including the most accepted version, the Marginal Productivity Theory of Interest, lack dimension. These theories have appa-

rently ignored that the economic system is dynamic, but it is because of the dynamism of the economic system. A new equilibrium situation is always disturbed with changes in tastes, population, savings and investment pattern and changes in values and living standards. In economic activity, these variables have a tendency to operate in a cumulative and circular way acting and reacting upon each other in a complex pattern. To ignore the mobility of these variables is to disregard the basic facts about change in economic system.

Again, the Austrian school of economists like Bohm Bawerk bring in the idea of time preference in the explanation as to why interest is paid. According to him, interest arises because men prefer present goods to future goods, and because future satisfaction, when judged from the standpoint of the present, undergoes a discount, and interest is this discount. Bohm Bawerk gave three reasons as to why people do prefer present satisfaction to future satisfaction. They are (a) "the perspective underestimate of the future," (b) "the relative scarcity of present goods compared to future goods," (c) "technical superiority over future goods".

The American economist Irving Fisher accepts the first two propositions of Bohm Bawerk but denies the validity of the third. According to him, "time-preference" is the central fact in the theory of interest. It is the preference that an individual has for present income over future income. As Fisher has observed, the "technical superiority" of present goods is a delusion and is in reality a distinguished form of productivity theory; as such it is vitiated by the fallacy of *petitio principii*. If resources are diverted more and more from present to future uses, there will be relative over-provision for the future and relative under-provision for the present. Present goods will become scarce and will be valued more than future goods, apart from the perspective underestimate of the future. The late Lord Keynes criticised this orthodox theory on the ground that reward need not be paid to anyone for an act of saving. People save, according to him, whenever their income and standard of living allow them to do so or they do save for the rainy day, in total disregard of the reward they are expected to get on savings. Savings, in other words, represent an involuntary act and as such they do not require the payment

of any reward or inducement. This explains why the Agio theory of Bohm Bawerk and time-preference theory of Fisher are inapplicable in the case of corporate savings, which form the bulk of savings in advanced countries irrespective of the rate of interest. The neo-classical theory of interest which is fundamentally based on the Bohm-Bawerkian theory of interest is not free from this Keynesian criticism. It regards the rate of interest as the factor which brings the demand for investment and willingness to save into equilibrium with one another. Just as the price of a commodity is necessarily fixed at that point where the demand for it is equal to supply, so the rate of interest is necessarily fixed at that point where the amount of investment of that rate of interest is equal to the amount of saving at that rate. The rate of interest, then, is, according to the neo-classical theory, determined by the supply of and demand for loanable funds. All monetary theories of interest, including the loanable fund theory, appear to have confused between the problem of exchange and the problem of distribution. While the theory of price refers to a problem of exchange, the theory of interest refers to a problem of distribution. The last, not least, is the contribution made by Lord Keynes in the theory of interest. While there is general agreement that the concept of liquidity preference of Keynes introduces a welcome new variable to the classical theory of interest, there is a general reluctance to accept Keynes's claim that the new theory replaces the traditional interest theory. Although Keynes's theory ignores altogether the twin influences of the ideas of "thrift" and "productivity," yet his theory is to some extent analogous to Bohm Bawerk's theory of interest. What he calls "the perspective underestimate of the future" and Fisher calls "time-preference," Keynes calls "propensity to consume". Both, in effect, are based on a subjective prototype—the preference for present over future goods. One regards interest as a premium on present goods, the other as a reward for parting with liquidity. In substance, they are one and the same thing.

From the above brief survey of all theories of interest, it appears that the economists have failed to discover a clear and categorical answer to the question why interest is paid. Instead, some of them only explain how it is determined without taking

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Islamic Theory of Capital. Islam does recognise capital and its role in the process of production. Islam recognises its share in national wealth only to the extent of its contribution, to be determined as a variable percentage of the profits earned rather than a fixed percentage of the capital itself. In a restricted sense, the Islamic theory of capital recognises not only the classical ideas of thrift and productivity but also the Keynesian ideas of liquidity preference because, in Islam, capital is productive in the sense that labour assisted by capital produces more than without capital. Again, profits which are allowed by Islam are the result of investments in production which is a time-consuming process. It is the profit motive which induces an individual to save and invest and thereby postpone present consumption to a future date. Thus the Islamic theory of capital is more realistic, more comprehensive and more ethical than the modern theories of capital. It is realistic, because the productivity of capital which is subject to change is related to the actualities of production which is supposed to be mobile in the dynamic setting of growth; it is comprehensive, because it takes note of all variables like currency, population, inventions, habits, tastes, living standards, time-lag and what not; it is ethical, because the variable share of capital in an Islamic State must be just and equitable and must be free of exploitation of other agents of production which contribute to the creation of national wealth. Therefore, in the Islamic social framework fixed interest on capital is not allowed to exercise its harmful effects on the economy. In other words, Islam believes in an interest-free economy. Now the question arises: Is it possible? I shall now try to frame an answer to this great question.

Possibility of An Interest-Free Economy. True, economic values of Islam have not been given any fair trial by the modern Muslim world. But it has lost none of its cogency with the passage of time, because Islam is timeless. Thus while the fundamentals of Islamic economic values will remain valid for all ages, the details may change through exercise of Ijtihād. Therefore, it is my conviction that even today it is quite possible to have an interest-free economic set-up, a set-up which will, I am

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sure, be a definite improvement over the so-called capitalistic and socialistic economic system. By retaining incentive to work through profit motive, the interest-free economy of Islam will, on the one hand, ensure maximum production and thus preserve one of the basic features of the capitalistic system. By prohibiting fixed interest on capital and disallowing the growth of the capitalist class in the economy, it will, on the other hand, ensure equitable distribution of national income for which the socialistic system stands. It is not a mere compromise; the interest-free economy as propounded by Islam is more than a compromise in the sense that it regards man as a complete socio-moral creature, not merely an "economic creature," and provides a system so co-ordinated as to enable man to accomplish both his spiritual and temporal values. It is because of the determination and dedication of the people that we have capitalistic and socialistic economics co-existing despite being diametrically opposed to each other. Again, it is because of the same determination and sacrifice of the people that Pakistanis belied apprehensions of all by converting a so-called "uneconomic entity" like Pakistan into an economic entity envied by many. Lastly, it is because of an utter lack of the same determination and dedication that no Muslim State has ever tried an interest-free economic system. That many Muslim countries have given legal sanction to the payment of interest is indicative of the fact that they are still under the vicious influence of Capitalism in some way or the other. The fact is that the interest-free economy will be successful only when it will come out of conviction of the society, not out of imposition of the system from outside. Therefore, sincere and honest efforts must be made to educate the people with the values of Islam, because every institution or system reflects the ideas of man current in a given period of time. So it would be a blunder if any Muslim State starts implementing the principles of an interest-free economic system in the existing institutions without imbuing the people with the spirit of Islam. It would be just like constructing a huge university building without making any provision for teachers. Once a Muslim State is in a position to inculcate the Islamic spirit and its life-philosophy, it may go ahead with the implementation of the scheme of an interest-free economic

system. At this stage, it is necessary to explain why an interest-less economy would be better than an economy with interest. I propose to discuss this issue under the following headings: (a) Interest and Capitalism; (b) Interest and Saving-Investment Relationship; (c) Interest and Unemployment; (d) Interest and Depression; (e) Interest and Scarcity of Resources; (f) Interest and Debt-servicing Problem; (g) Interest and Underdeveloped Countries; and (h) Interest and World Peace.

(a) *Interest and Capitalism.* It is interest which, in its ultimate analysis, is responsible for the growth of capitalists in the society. In a socialistic economy, there can be no question of payment of interest, because all savings are collective savings made by the State before the income is distributed among labourers. But in a planless capitalistic economy, through the temptation of security and interest, savings are generally mobilised for capital formation on individual, corporate and governmental basis. The rise of these groups of individuals seems to have its origin largely in the historical accident that some economic activities are first started by them which meet with success which, in its turn, has a tendency to operate in a cumulative and circular way acting and reacting upon each other in a complex pattern of economic growth. When this powerful class of capitalists invest their own capital along with the capital of the other people, they ensure the lion's share of production for themselves. "Having satisfied the real contributors of capital with security and a meagre amount of interest to them, the capitalist becomes free to regulate its employment, pocket the entire return he gets out of it, and often at the cost of the direct return of those very factors of production which placed their capital in his hands." In this process of production, the capitalist class become so powerful that they dominate all possible spheres of life. It vitiates social life by making man selfish and self-conceited, because every activity is motivated by money alone. It vitiates economic life, because by holding the "means" of production in their hands the capitalists, in order to earn their maximum profits, do not only not hesitate to create unnatural demands of extremely harmful goods like alcohol, cigarettes, etc., but also form monopolies and cartels. When the politicians under dire

popular pressure try to cut capitalists to size through various measures including progressive taxation, they are flouted through evasion of taxes, hoarding, blackmarketing, smuggling, adulteration of products including even the necessities of life. Lastly, the capitalists vitiate the political life of a nation through their dictatorship in the economic life of the community. In modern capitalistic countries we find that contesting for the office of the President is a huge expensive affair. In spite of popular pressure the politicians must play to the tunes of and work in collaboration with the capitalists. In such a system only a capitalist or a person supported by him could dare contest for and capture political office. Therefore, the less fortunate and the poorer masses of the society learn to live in inhuman misery and are left completely at the mercy of the capitalists.

The interest-free economy, as advocated by Islam, is the only solution to mitigate the sufferings of the degraded humanity of the capitalistic economic system. Because under the Islamic economic system a great part of the economy will be under State planning and a great part of the savings will be collective savings made by the State for the exclusive welfare of the people, and the share of capital will be recognised only through normal profit. This is how the artificial class of capitalists is eliminated; social, economic and political life is purified through the spirit of co-operation and good-will.

(b) *Interest and Saving-Investment Relationship.* It is argued that in the absence of interest, savings could not be mobilised for capital formation and, therefore, the need for interest-bearing capital actually arose with the development of large-scale industry and commerce. The most scathing attacks on this contention have come from Keynes who has denied that savings as such do not require any inducement in the shape of interest. Most savings are involuntary in character and as such they do not require any special reward by way of interest. Even if it is admitted that the rate of interest has some influence on marginal savings, the neo-classical contention is vitiated by the assumption of constant income. Keynes has tried to prove that savings and investment are always and necessarily equal, their equality being brought about by changes in the level of income resulting from investment.

Even in the absence of inducement by interest, there is likely to be more savings and more investments and consequently more incomes, partly because of the charm of higher margin of profit and partly because of lesser risk of loss. It is due to the direct participation of the people in the process of production that the return from investment is likely to be proper and just without lion's share thereof being exploited by the capitalist. Again, the decisions of policy-making being so broadbased and largely participated, the chances of unwise and hazardous investment would be reduced, thereby reducing the risk of loss to the minimum. Moreover, production of goods and services, keeping in view the social utility under proper State planning based on co-operation of the people, would certainly be better than uncontrolled production of wasteful goods and services under Capitalism.

(c) *Interest and Unemployment.* It may sound strange to many modern thinkers obsessed by capitalistic ideas that interest stands in the way of fuller utilisation of resources, thereby creating unemployment in society. It creates unemployment both from the standpoint of supply and demand for investment funds. Even if it is admitted that the positive rate of interest (say, 5%) induces the marginal savers to save, this means that this class of savers will not participate in any activity which is likely to yield a return less than the current rate of interest (say, 5%). In a capitalistic economy, it is not possible to utilise the services of this class of savers who are not supposed to participate in the productive process.

Similarly, the demand for capital is governed by the profitability of investment relating to the rate of interest. Having regard to his own means, each entrepreneur will push the investment of capital until, what appears in his judgment to be, the margin of profitability is reached; and that margin is not a fixed point but "boundary-line cutting one after another every possible line of investment, and moving irregularly outwards in all directions whenever there is a fall in the rate of interest at which extra capital can be obtained. It follows that interest holds back investment in the production, and marginal efficiency of capital itself is pulled down by the rate of interest. In his *General Theory*, Keynes has rightly observed: "It seems that the rate of

interest on money plays a peculiar part in setting a limit to the level of employment, since it sets a standard to which marginal efficiency of a capital asset must attain if it is to be newly produced" (p. 235).

(d) *Interest and Depression.* Without making any active contribution of its own to production, the capitalist class thrives and prospers not only at the cost of other factors of production but also at the cost of poor consumers. It is a blatant means of unearned income; it is resented by the worker who considers that he is thereby deprived of a part of the fruits of his labour; consumers are also exploited, because interest enters into the cost of production and thereby delays recovery when depression attacks trade, commerce and industry. While giving account of Veblen's teachings, W.C. Mitchell has ably explained how interest plays a vital part in bringing about crisis under Capitalism.

He observed: "When times are good, prices rise, profits are high, business men borrow freely and enlarge their output. But such prosperity works its own undoing. The substantial security behind the loans is prospective net earnings capitalized at the current rate of interest. When the rate of interest rises, it does, during prosperity, the capitalized value of a given net income declines, and the loans become less safe. More than that net earnings in many cases prove less than had been expected in the optimistic days of the nascent boom. Prices cannot be pushed up indefinitely; the costs of doing business rise and encroach upon profits; bank reserves fall and it becomes difficult to get additional profit. When fading profits are added to high interest, creditors become nervous. In such a strained situation the embarrassment of a few conspicuous concerns will bring down the unstable structure which had seemed so imposing, a demand for liquidation starts and spreads rapidly for the enterprisers, pressed for payment, put pressure on their debtors to pay up. So prosperity ends in a crisis followed by depression."

(d) *Interest and Scarcity of Resources.* It is argued that need for payment of interest arises from scarcity of resources. Because if capital resources are used for production of one particular assortment of goods and services, they have to be withdrawn from another assortment. It is, therefore, said that the concept of the rate

of interest is not altogether useless even in a Socialist State. The whole argument is fallacious, because Islam does recognise the share of capital in the productive process. What Islam does not look with favour is the fixed return for capital irrespective of its contribution. Since the resources are not numerous the Islamic State will have to allocate its total resources among different avenues in the descending order of their relative profitability.

Those projects which are likely to yield the maximum returns will be taken up first. The surplus resources will be devoted to projects which stand next in their order of profitability, and it is practically certain that all resources will be exhausted before all conceivable projects are fulfilled. In such an economy there is every possibility of the maximum utilisation of resources and the maximum level of employment will be reached. The fact is that if a community grows richer due to the fullest exploitation of her resources, and if it is accompanied by constant or declining growth in population, its propensity to consume is likely to decline. The proportion of income spent on consumption tends to diminish and the proportion that is saved tends to increase as the total income increases. This is likely to depress present consumption demand as well as the demand for investment funds. Hence the rate of interest is likely to fall to zero in a perfectly organised community. In such an economy there is ample scope for earning money by enterprise. As Keynes observed: "Though the rentier would disappear, there would still be room, nevertheless, for enterprise and skill in the estimation of prospective yields about which opinions could differ. For the above relates primarily to the pure rate of interest apart from any allowance for risk and the like and not to the gross yield of assets including the return in respect of risk. Thus unless the pure rate of interest were to be held at negative figure, there would still be a positive yield to skilled investment in individual assets having a doubtful prospective yield provided there was some measurable unwillingness to undertake risk; there would also be a positive net yield from the aggregate of such assets over a period of time. But it is not unlikely that in such circumstances, the eagerness to obtain a yield from doubtful investments might be such that would show in the aggregate a negative net yield." We have already mentioned

that in the interest-free society of Islam, the possibility of such "a negative net yield" is likely to be reduced to the minimum because of the joint and co-operative efforts of all the sectors of the economy.

(f) *Interest and Debt-servicing Problem.* It is not difficult to show that the rate of interest acts as a hindrance in the way of better development of the world. The debt-servicing problem is a standing puzzle for almost all developing States like Pakistan, Indonesia, India, etc. It is universally recognised that foreign loans and aids play a very significant part in the economic development of all underdeveloped countries. But, in ultimate analysis, loans require an export of resources from the borrower countries in an amount equivalent to the sum of principal plus interest, if the loans are interest-bearing. Foreign credits consequently raise questions about the capacity of the borrower countries to export to those countries and earn vital foreign exchange. This is not the end of the story. A higher rate of interest also means a higher price of loans. Borrowing nations have started finding that higher interest rates swallow up most of all of any new finance they are able to obtain. Pakistan, for instance, paid an amount of \$ 109 million to Consortium members by way of interest and amortisation which constitute over one-fourth of the disbursements from the Consortium sources in 1967-8. India, with a large overseas debt, could be in danger of taxing her borrowing powers to the limit merely to service existing debt. She would be pedalling hard to stay in the same place. The Middle Eastern and African countries increased their debt by nearly 90% to a total of \$ 4.9 million in 1958 and so on. The debt-servicing problem is thus a great concern for all developing countries such as Pakistan, which depend on a large measure of international aid. Development loans without interest are likely to bring about a definite improvement on the existing pattern of world trade, world production and world co-operation. Consequently a significant improvement is likely to occur in the economic position of the less developed countries. Because all reconstruction or development loans without interest will, in the long run, enlarge the production base and export potential of the receiving countries which, in turn, improve their competitive position in world markets. The new pattern of

foreign trade and investment through co-operation, which will then be registered in the balance of payments accounts, will modify the pattern for later periods, not only in aid-receiving countries but also in aid-giving as well as other countries. Thus humanity as a whole will be getting the maximum advantage out of the most efficient use of human and natural resources God has given to mankind.

(g) *Interest and Underdeveloped Countries.* All underdeveloped countries in general and Muslim countries in particular may switch over to interest-free economy in well-planned stages for not having a well-knit, integrated and developed system of financial institutions. It is a recognised fact that the quantitative flow of funds into channels compatible with a planned investment programme requires the existence and proper development of financial institutions through which that task is to be accomplished. Thus the limited role of the interest rate policy in underdeveloped Muslim countries can be understood from the fact that conditions necessary for the effectiveness of a flexible rate of interest, such as a developed bill market and a general discount market, the rationalised and highly sensitive assets structure of banks and the high chance of development of capital markets, etc., are in most of them either totally unobtainable or only insignificantly present. In the advanced system of monetary management, a small increase in consumption expenditure stimulates a relatively large increase in investment expenditure. It suggests a degree of sensitivity in the latter which should give the monetary authority, through indirect control over the rate of interest, a guiding role in the direction and tempo of income movements, but in an underdeveloped system such sensitivity is utterly lacking and, therefore, interest rate policy is worthless as an instrument of control. So what is needed is a more direct control of the entire commodity market all the way from production to distribution so that price stability is achieved and prospective entrepreneurs are able to secure the necessary finances for potential investment. Without "slavish imitation" of advanced countries, underdeveloped Muslim countries shall have to go deep into their socio-economic problems so that they can evolve systems of their own, based on the economic philosophy of Islam

and can give the world a better solution to all the economic ills of humanity.

(h) *Interest and World Peace.* So far we have discussed the ineffectiveness of the interest rate policy in accelerating the process of growth from the pure economic standpoint. Now we like to discuss as to how interest rate on loans can stand in the way of creating a better world to live in. Fundamentally, the necessity for loans arises from the needs of the "have-nots". Only a society of "haves" can afford to advance loans to a society of "have-nots". Therefore, charging of interest in any form on loans is a negation of the universal principle of brotherhood of man and co-operation. It is a naked exploitation of the brother's needs. It appears as if the whole humanity has been lost in the sea of materialism. Interest uproots the very foundation of humanity, mutual help and sympathy, and creates in man selfishness. All the persons in such society have a tendency to indulge in a constant tussle motivated by "money" alone. What is applicable at the national level is equally applicable at the international level. Today, we find how a creditor nation holds a debtor nation in bondage through usurious loans. It is not a theory but a verdict of history that "since the First Great War, international loans, directly or indirectly controlled by the Loans Committee of the League of Nations, have similarly been floated in the Danubian States and Balkan countries. The payments of interest on these debts have brought added misery to these countries during a period of unparalleled international deflation, and that most, if not all, of them, were in partial or total default." In spite of this, investigations conducted by the late League of Nations resulted in suggestions for reorganising the internal economy and increased taxation in the debtor countries, so that "service" on these loans can be facilitated. Was it not an economic exploitation by the "haves" of the "have-nots". My answer is in the affirmative. Thus this type of exploitation, either in domestic or in international sphere, inevitably leads to domination by the exploiters, and develops into a potential threat to peace.

So far we have analysed the harmful effects of interest on the existing scheme of society. Taken all in all, we can safely say

that if interest is abolished, we can conceive of a nearly, if not a perfectly, ideal socio-economic order.

Profit and Interest. With this conclusion, we are now entering into the final phase of our discussion relating to difference between profit and interest. Before we take up the point at issue we like to say a few words about the type of profit Islam has allowed. Islam has recognised the acceptance of profit only in a restricted sense. Because unrestricted and abnormal profit which a capitalist earns is a clear exploitation of the society. This type of profit is generally the result of monopolies and cartels which become the main feature of the capitalistic economy. But monopolies, the cornering of commodities, holding back of produce from the market in expectation of a rise in prices, are prohibited in Islam, because they are all negation of beneficence. Therefore, Islam is for normal profit which refers to that level of profit at which there is apparently no tendency for new firms to enter in a given trade or for old firms to disappear out of it. This tendency is not enough. The fundamental principle which should be kept in view is that no section of society is deprived of its legitimate share in the process of production.

While Islam has recognised normal profit, it has prohibited interest. On scrutiny it would be seen that the transactions and returns in both the cases are different in nature. In the former, the lender becomes unconcerned with the use of loan after the loan is secured and interest thereon guaranteed. In the case of profit, the owner of the firm remains involved in and concerned with the use by the user throughout. It follows that interest is not the result of any productive effort whereas the profit is. Since in the case of interest, productive effort is not at all made by the lender, the element of entrepreneur is absent altogether, whereas in the case of profit, that element remains alive throughout the process of production and marketing. Thus in the case of interest, the real owner of capital is generally missing from productive process, whereas for profit, the real owner does determine the economic use of his capital; the entrepreneur adopts new inventions and tries to create new fashions in order to increase his profits. Thus profit is the reward of progress. Finally, in the case of interest, the element of loss is altogether missing,

because it is fixed and certain, whereas profit is a payment for the assumption of risks by the entrepreneur. It is the entrepreneur's income which is uncertain and unknown. It is uncertain, because it is residual in nature. Since the assumption of risk is a disutility, it is to be paid for in the form of profit. It is unknown, because superior entrepreneurs can earn higher profit by virtue of their organising ability or other mental and physical capacities compared to their inferior counterparts. Because of these vast differences, Islam has allowed profit and condemned interest. Surely, "Allah hath permitted trade and forbidden usury."

4. Islamic Law of Inheritance and Its Economic Significance

The Islamic law of inheritance has brought about a silent revolution in the whole philosophy of distribution of wealth and introduced a new technique, unheard of before, of increasing national wealth through participation of women in economic activities. But the question arises: What is inheritance? According to the *Encyclopaedia of Social Sciences*, "Inheritance is the entry of living persons into the possession of dead persons' property and exists in some form wherever the institution of private property is recognised as the basis of the social and economic system. But the actual forms of inheritance and the laws and customs governing it differ very greatly from country to country and from time to time. Changed ways of owning and using property will always bring with them in the long run alteration in the laws and practices relating to the inheritance of wealth."

The Islamic law of inheritance is, however, assumed to be founded on certain passages of the Holy Qur'an, the inadequacy of which is indicative of the fact that the role of reason is recognised in Islam. Thus shorn of sectarian differences and hair-splitting of jurists, the Islamic law of inheritance is at the present day a fixed, scientific and beautifully harmonious system. Without going into each and every detail we propose to illustrate below a few generally accepted rules derived from the Qur'an and the Hadith.

(i) A son of a deceased person will get the share of two daughters. It follows that every brother will get double the share of his sister. But in all cases, the wife of the deceased will be getting one-eighth of the total share. For example:

Situation No. 1		Situation No. 2	
Dead Man		Dead Man	
Wife	Son	Wife	Son Daughter
$\frac{1}{8}$ th	$1 - \frac{1}{8} = \frac{7}{8}$	$\frac{1}{8} (1 - \frac{1}{8}) \times \frac{2}{3} = \frac{1}{12}$	$\frac{1}{8} (1 - \frac{1}{8}) \times \frac{1}{3} = \frac{1}{24}$

(ii) If a man dies leaving behind a daughter and wife, the daughter will get half of the property; if he leaves behind more than one daughter, they will be getting two-third of the property of the deceased. For example:

Situation No. 3			
Dead Man			
Wife	Daughter	Brother	Sister
$\frac{1}{8}$	$\frac{1}{2}$	$1 - (\frac{1}{8} + \frac{1}{2}) \times \frac{2}{3} = \frac{1}{6}$	$1 - (\frac{1}{8} + \frac{1}{2}) \times \frac{1}{3} = \frac{1}{12}$

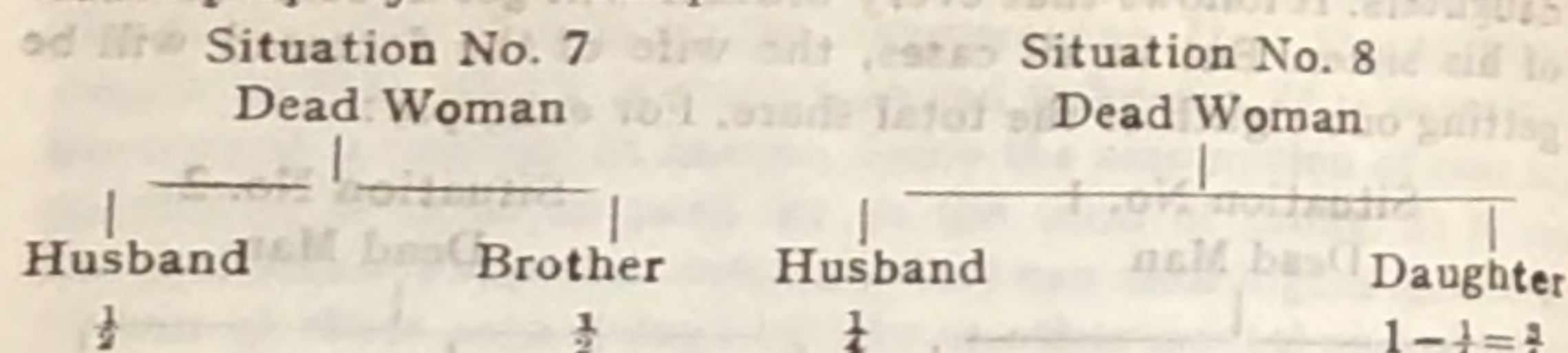
Situation No. 4			
Dead Man			
Wife	Daughter	Daughter	Brother
$\frac{1}{8}$	$\frac{2}{3} \times \frac{1}{2} = \frac{1}{3}$	$\frac{2}{3} \times \frac{1}{2} = \frac{1}{3}$	$1 - (\frac{1}{8} + \frac{2}{3}) = \frac{1}{24}$

(iii) We have seen that normally wife will get one-eighth of the property of the deceased husband. But if he leaves behind wife only, the wife will get one-fourth of the property. For example:

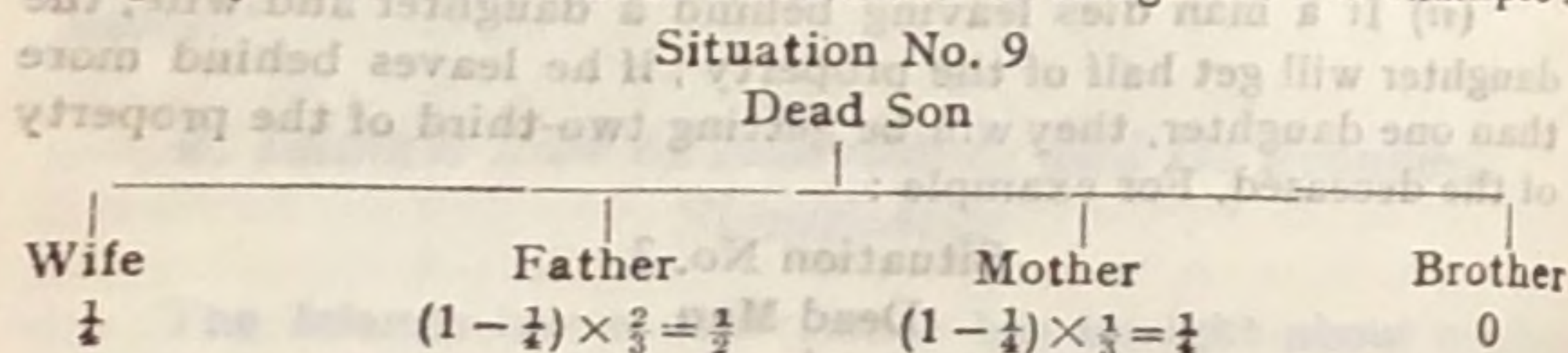
Situation No. 5		Situation No. 6		
Dead Man		Dead Man		
Wife	Son	Wife	Brother	Sister
$\frac{1}{8}$	$1 - \frac{1}{8} = \frac{7}{8}$	$\frac{1}{4}$	$(1 - \frac{1}{4}) \times \frac{2}{3} = \frac{1}{3}$	$(1 - \frac{1}{4}) \times \frac{1}{3} = \frac{1}{6}$

(iv) If a wife possessing property leaves behind her husband only and none else, the husband will get one-half of the property.

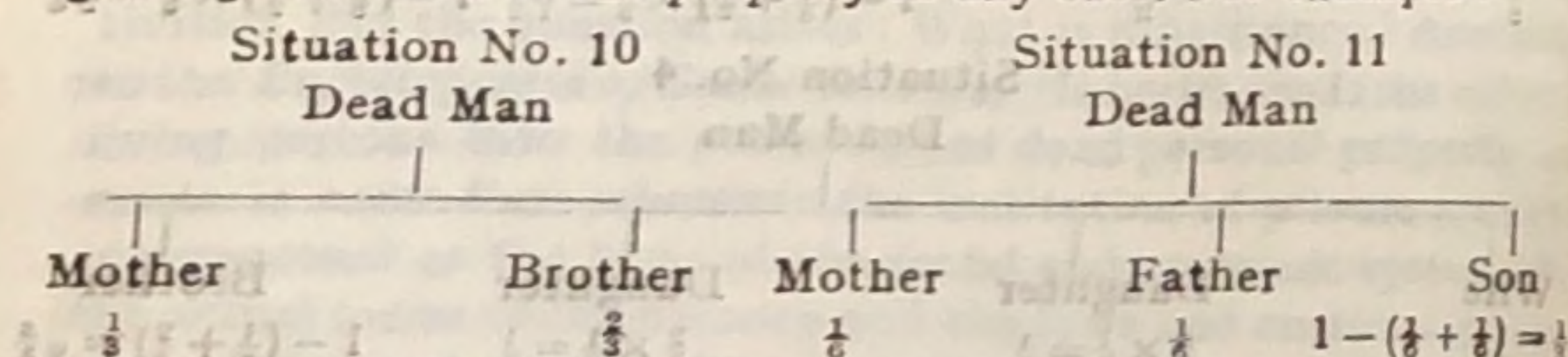
But if she leaves behind any issue, the husband will get one-fourth of the property. For example:



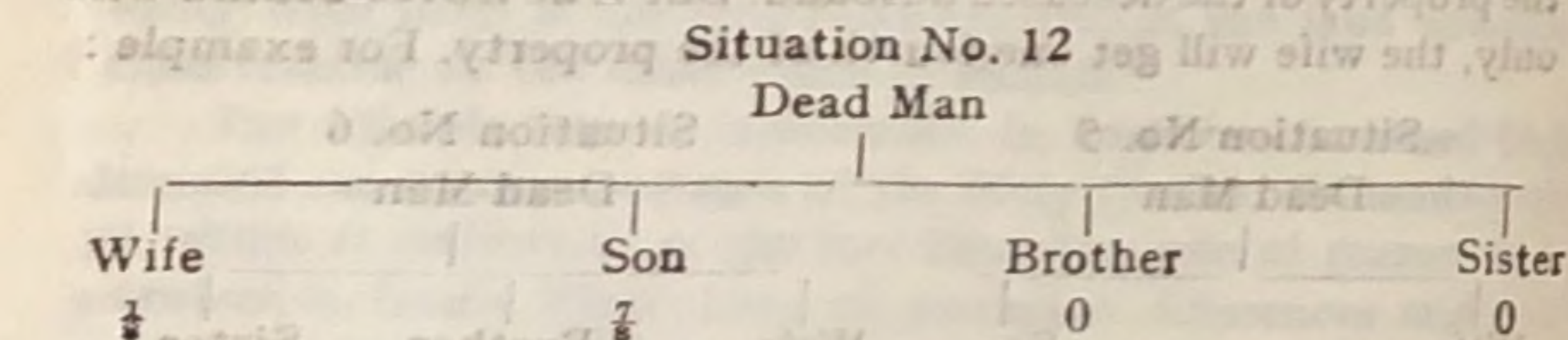
(v) If a son leaves behind his wife and parents and a brother, the brother will get nothing. But father will get one-sixth of the property even if he leaves behind son or daughter. For example:



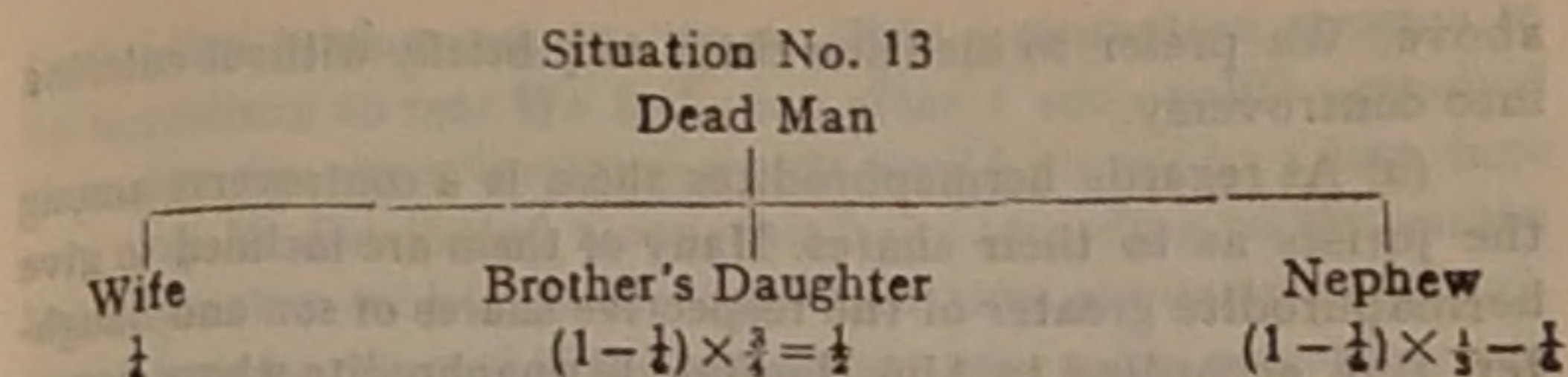
(vi) If a man leaves behind only a mother and a brother, mother will get one-third of the property; if not, she will be getting one-sixth of the property in any case. For example:



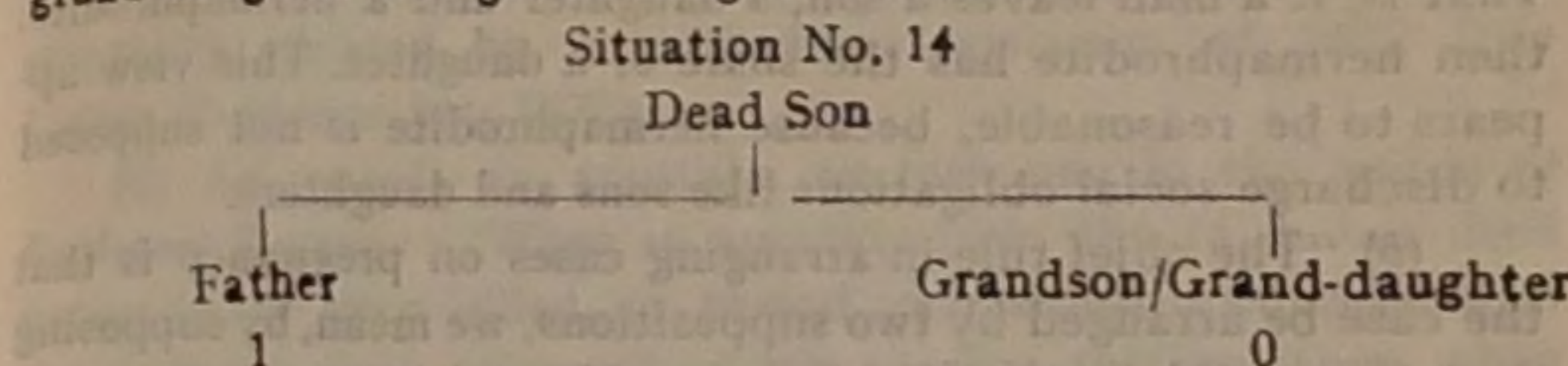
(vii) If a man leaves behind wife and son, his brother and sister will get nothing. For example:



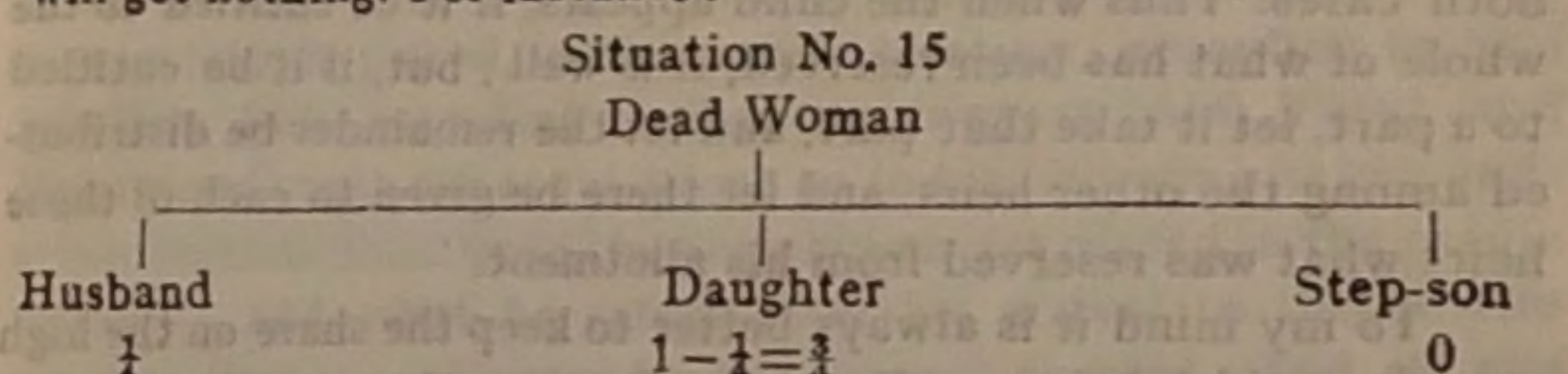
(viii) If a man leaves behind only wife and no near relations, then distant relations will get the share. For example:



(ix) If a son dies before the death of his father, grandson/grand-daughter will get nothing. For instance:



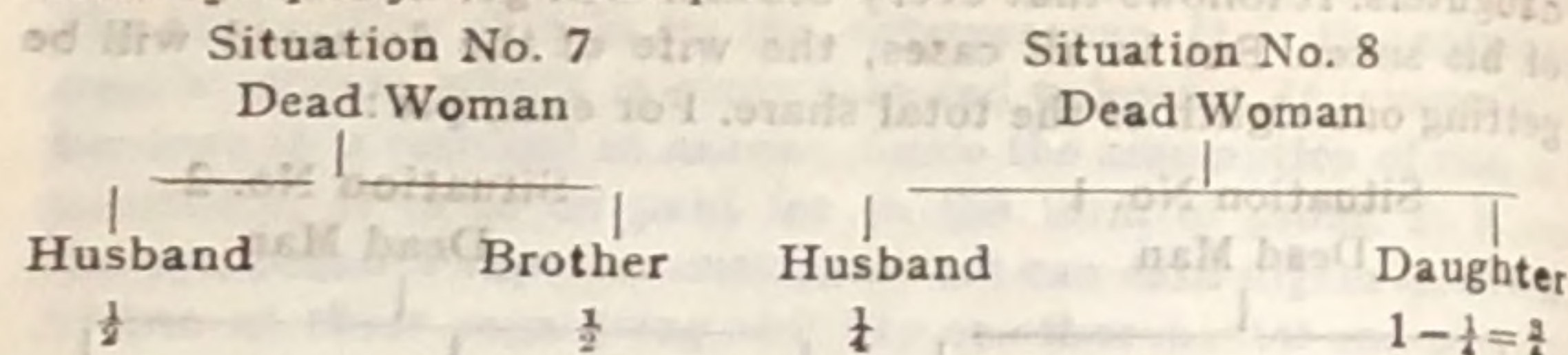
(x) If a woman leaves behind her son, her step-son/daughter will get nothing. For instance:



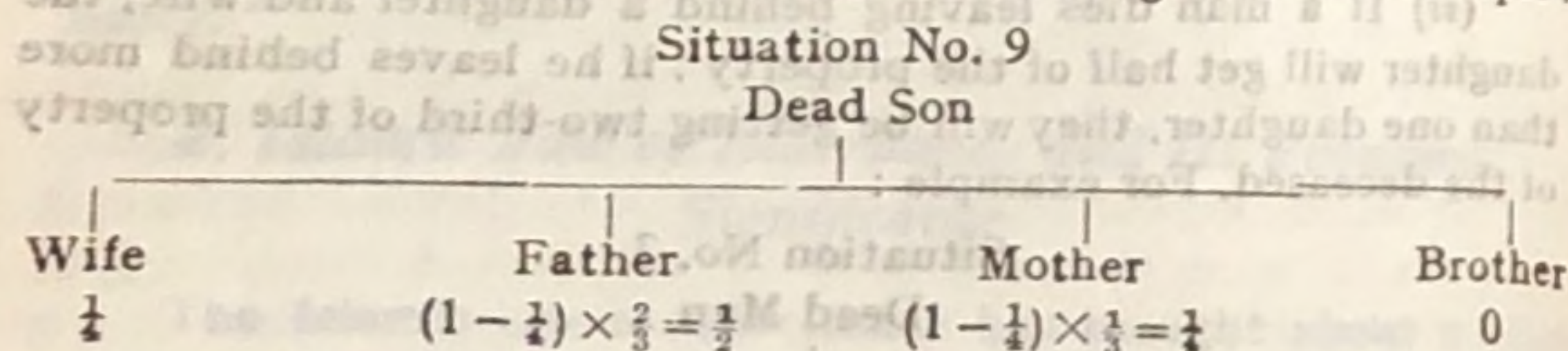
The rules explained above are not at all exhaustive; there may be many other situations.

Basic Principle. The readers should observe that the word "heir" is confined to shares and residuaries; in other words, it does not include distant kindred. The basic principle concerning succession is that he is preferred in succession who is the nearest to the deceased as the daughter's daughter is preferred to the daughter of the son's daughter, and if the claimants are equal in degree then the child of an heir is preferred to the child of a distant relation. This principle is to be kept in view in determining succession. Here a brief reference may be made as to how the question of succession may be determined on (a) hermaphrodites, (b) pregnancy, (c) lost person, (d) apostate, (e) captive, (f) persons drowned or burned. Professor Rumsey, in his book *Mahomedan Law of Inheritance*, explained in some detail the question of ascertaining succession on each category of persons mentioned

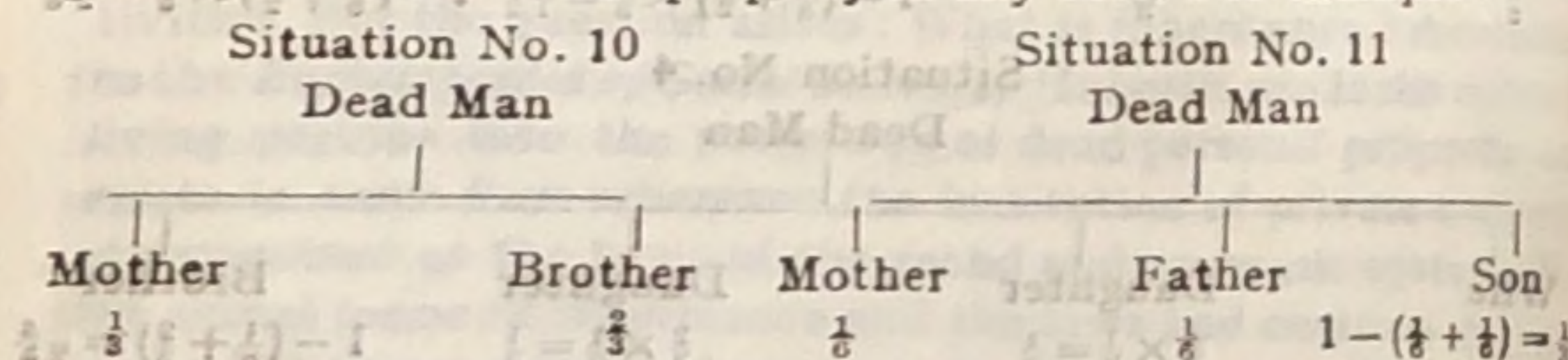
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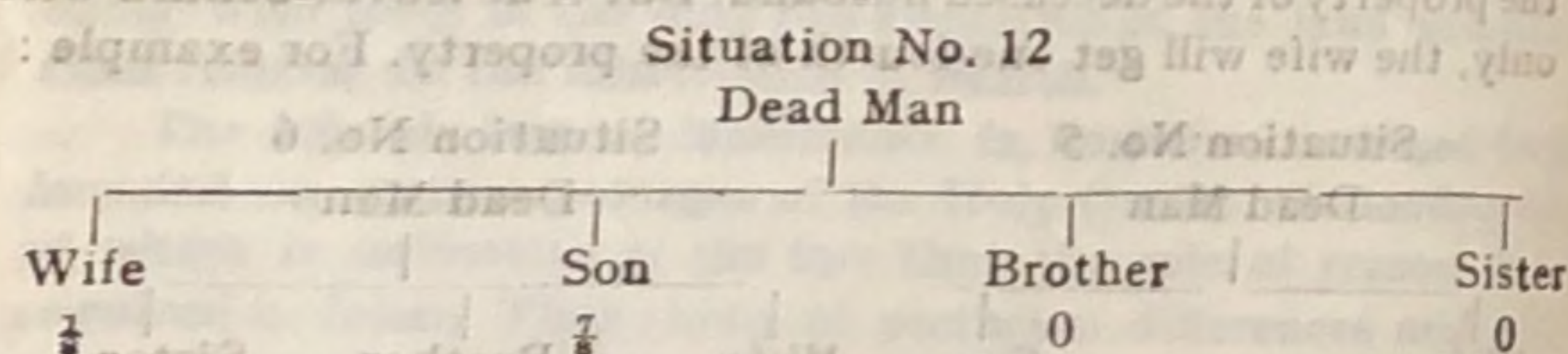
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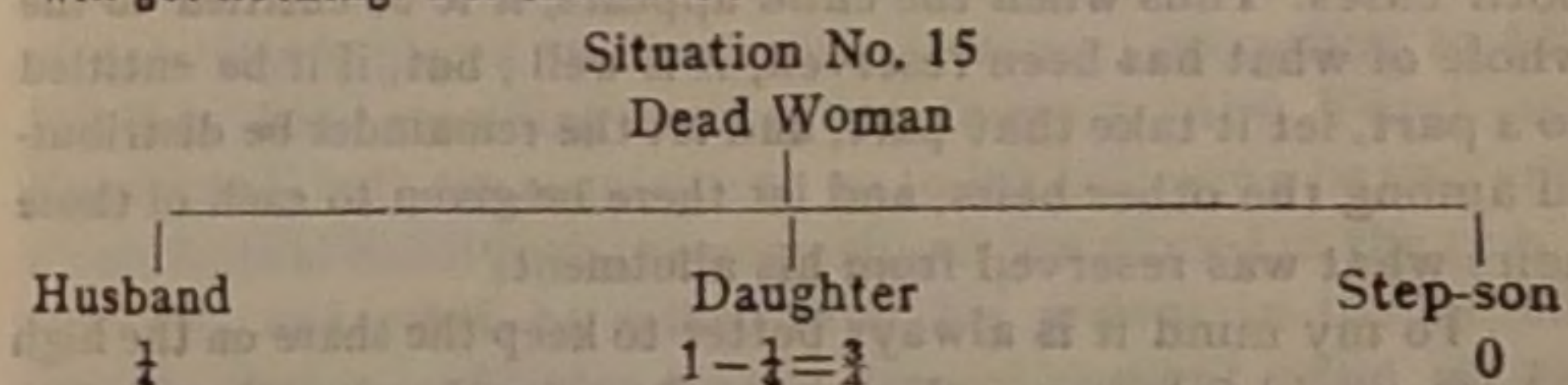
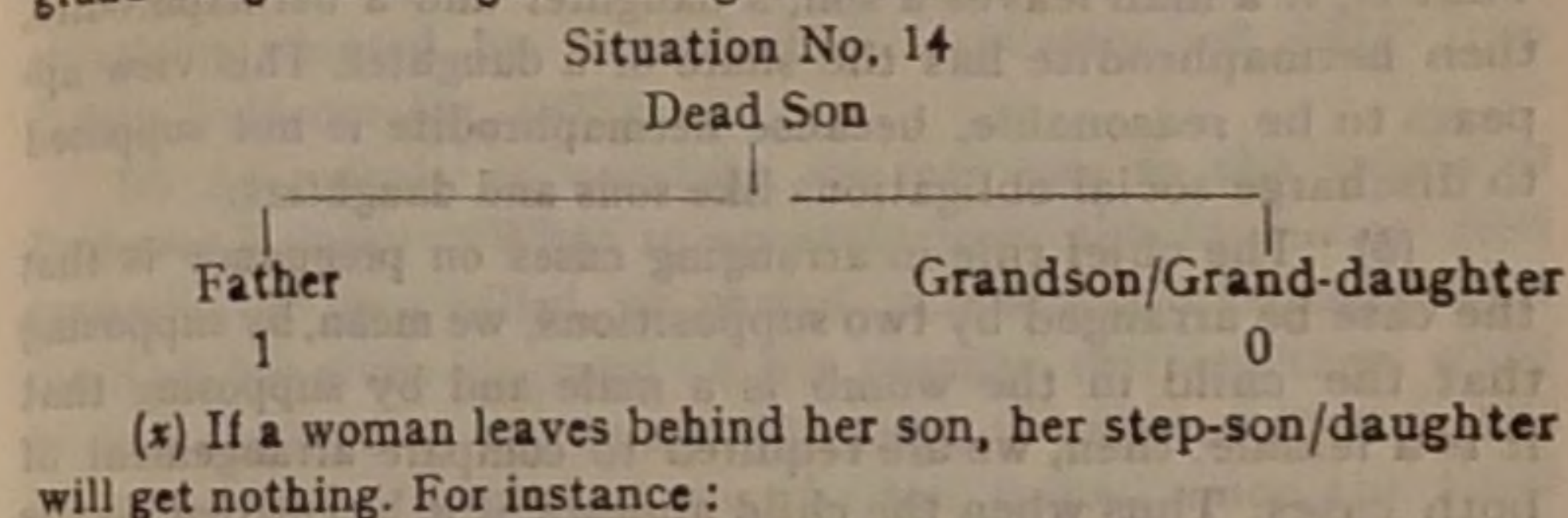
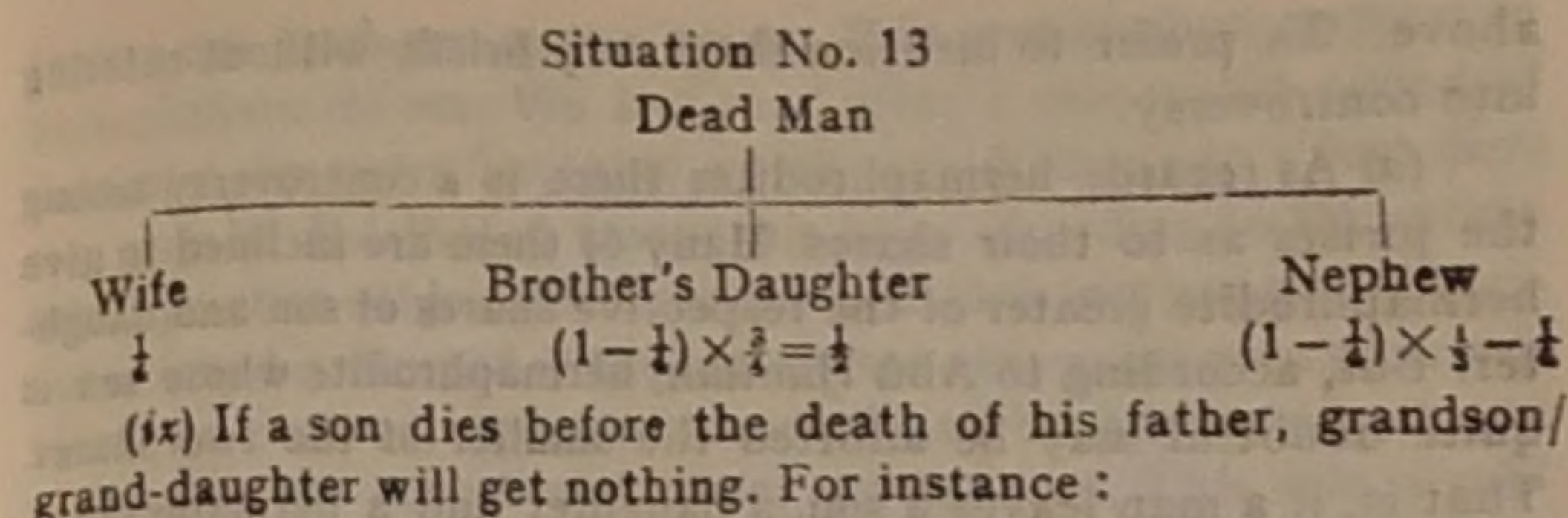
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above. We prefer to mention them very briefly without entering into controversy.

(a) As regards hermaphrodites there is a controversy among the jurists as to their shares. Many of them are inclined to give hermaphrodite greater of the respective shares of son and daughter. But, according to Abū Hanīfah, hermaphrodite whose sex is quite doubtful may be allotted the smaller of the two shares. That is, if a man leaves a son, a daughter and a hermaphrodite, then hermaphrodite has the share of a daughter. This view appears to be reasonable, because hermaphrodite is not supposed to discharge social obligations like sons and daughters.

(b) "The chief rule in arranging cases on pregnancy is that the case be arranged by two suppositions, we mean, by supposing that the child in the womb is a male and by supposing that it is a female, then, we are required to compare arrangement of both cases. Thus when the child appears, if it be entitled to the whole of what has been reserved, it is well ; but, if it be entitled to a part, let it take that part, and let the remainder be distributed among the other heirs, and let there be given to each of those heirs what was reserved from his allotment."

To my mind it is always better to keep the share on the high side to avoid future complications. Because if a son is born, when the share of the daughter is kept, then solving of the question of taking back a certain portion of the already distributed shares is not always an easy task. Again, among the learned jurists there is a great controversy in respect of determining the period of gestation. The longest period varies from two years to seven years while the short time for it is six months. I am not inclined to accept any of the periods of gestation determined by fanciful notions ; we should, rather, be guided by the medical experience. But the system of keeping a portion of property for an unborn child is just and scientific.

(c) The principle in arranging cases concerning a lost person is that the case be arranged on a supposition of his life, and then arranged on a supposition of his death ; and the rest of the operation may be worked out. Here also there is no uniformity with regard to presumption of death of a lost person. Thus presumption of death varies from ninety years to one hundred and

twenty-five years among the jurists. This presumption appears to be unrealistic to me. We feel that after a reasonable period of time, say, ten years, anything which would accrue to a lost person may be distributed among his heirs according to the established practice subject to the condition that property so distributed may be returned if the lost person reappears even after ten years. In England, presumption of death usually arises when a person has not been heard of for seven years. This rule is substantially adopted by Anglo-Indian legislation of 1872 (the Indian Evidence Act, 1872).

(d) As regards an apostate, we may say in the words of Professor Rumsey : "When an apostate from the faith has died naturally, or been killed, or passed into a hostile country, and the Kadi has given judgment on his passage thither, then what he had acquired at the time of his being a believer goes to his heirs who are believers ; and what he has gained since the time of apostasy is placed in the public treasury, according to Abū Hanīfah, but, according to the two lawyers [Abū Yūsuf and Muḥammad] both the acquisitions go to his believing heirs ; and, according to al-Shāfi both the acquisitions are placed in the public treasury ; and what he gained after his arrival in the hostile country, that is confiscated by the general consent ; and all the property of a female apostate goes to her heirs who are believers, without diversity of opinion among our masters to whom God be merciful ! But an apostate shall not inherit from anyone, neither from a believer nor from an apostate like himself, and so a female apostate shall not inherit from anyone, except when the people of a whole district become apostates altogether, for then they inherit reciprocally."

According to natural justice, the State should not confiscate any acquisitions of an apostate. We are inclined to accept the view that all the acquisitions should go to his believing heirs. Because if the State confiscates any portion of his property depriving his believing heirs, this may act as an inducement on the part of his heirs to apostatise.

(e) The rule concerning a captive is like the rule of other believers in regard to inheritance, as long as he has not departed from the faith ; but, if he has departed from the faith, then the

rule concerning him is the rule concerning an apostate; but, if his apostasy be not known nor is it known whether he is alive or dead, then the rule concerning him is the rule concerning a lost person.

(f) Supposing a man possessed of property and one of his sons die in an accident, and the deceased son has left a son. According to the "approved opinion," the property will go to the "heirs who are living," that is, to the surviving sons; and "some of the deceased shall not inherit from others," so that the deceased son will not be deemed to have become entitled to anything, and, therefore, his son will get nothing. But Hadrat 'Alī and Ibn Mas'ūd say, according to one of the traditions from them, that some of them shall inherit from others, except in what each of them has inherited from the companion of his fate. Natural justice demands that the deceased son would be deemed to have been entitled to his portion as a residuary provided he leaves behind wife, sons or daughters, because the question of this entitlement is very much linked up with the survival of the dependants of the deceased.

Economic Significance. The Islamic law of inheritance is anti-capitalistic in outlook. Under this system a person may not dispose of more than one-third of his property by testamentary directions. While he is in the enjoyment of normal health he may dispose of his property freely, subject, of course, to the moral obligations, but neither by will nor by gift, once he enters upon a stage of illness which terminates in death. By such disposition he may provide legacies for friends, for servants, and for charity.

The rest of the inheritance must be divided among the prescribed heirs in specified shares. No part of the one-third is permitted to be disposed of by will so that it may be used to augment the share of one or more heirs to the prejudice of the remaining heirs. Each heir can take only his or her prescribed share and no more; nor can any heir be deprived of the whole or any part of his or her share. There is a wide circle of heirs. The Islamic system of inheritance operates to distribute wealth so that a large number of people may have a competence or, at least, a little, rather than that one or a few should have a large share and the rest nothing.

There are some critics who hold that the working of this law reduces agricultural land to uneconomic holdings. But this difficulty can be easily overcome by co-operative farming vital for agricultural development of the Muslim countries. Therefore, we find no harm if an Islamic State fixes the limit of the economic holding as we find in the case of the U.A.R. We must realise the full implications of that famous Hadīth of the Holy Prophet in which he declared: "The land belongs to him who enlivens the dead earth."

In fact, the modern forms of economic organisation are a very powerful solvent of the group notion of property, for they tend to make claims to income arising out of property divisible without the need for dividing the property itself. Thus when property comes to consist largely of stocks and shares, the arguments against division have far less force.

In public companies and corporations the parcelling out of the shares among a larger number of holders has little effect upon management; even in the case of family business charges can be made on the net earnings for different members of the family and where such a business is turned into a private company, actual shares can be issued and the business still carried on without change of policy. It can be urged that the setting up of charges on business or the diffusion of the ownership of shares makes the accumulation of capital out of reserved profits harder than it would be if the whole business were inherited by a single owner. But this is only one aspect of the wider argument that great inequalities of wealth and income are necessary for the adequate accumulation of capital in modern societies. In general there is no doubt that the institution of shareholding in joint-stock concerns as the outstanding form of property ownership has made far easier and less open to economic objection the diffusion of estates at their owner's death.

In modern industrialised societies, where the conception of property has become highly individual and the family survives as a social rather than an economic institution, the tendency has been to leave inheritance as free as possible from regulation by the State and, therefore, to extend continuously the right of unfettered bequest. Thus in most English-speaking countries they

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are left a very wide discretion—practically complete freedom—to carry out their wishes. But under the Islamic law of inheritance, one is not allowed to make a will exceeding one-third of the whole estate. The reason is that dependants of the deceased may get a start in life. This may help solve the problem of unemployment and underdevelopment.

Before Mill the question of inheritance was considered, except by the socialists, almost solely in relation to the accumulation of capital and the efficient use of productive resources and hardly at all as a problem of social justice. In Mill the two points of view are in conflict; and from his time the question has always been considered from both standpoints. On the one hand, inheritance and freedom of bequest are defended as a necessary incentive to saving and as a means to the more effective use of capital; for, given freedom of bequest, it is held, men will tend to have their capital in such ways as to promote its effective use. On the other hand, inheritance is attacked as one of the greatest sources of social and economic inequality and proposals are made to limit or even abolish it in order to secure a better distribution of income. But Islam considers the law of inheritance as a tool of social justice. That is why Islam tries to impress upon the Muslims possessing wealth that they can make no will about the property which will enlarge the share of one of their heirs even by a penny against the others' shares—shares which are to be divided among a wide circle of prescribed heirs. Moreover, one may provide legacies for friends, for servants and for charity to the extent of one-third of one's property. While giving emphasis on social justice, the Islamic law of inheritance cannot create economic inequality. Therefore, Islam has condemned any move for abolition of inheritance. In fact, it can hardly be urged as a self-contained and sufficient reform for the State at its owner's death, and that is what abolition involves; the State will have either to make use of it for production under collective control or to let it out to individuals who seem best qualified to use it. The former is the complete socialist solution, the latter deprives its rightful heirs. Islam follows a middle path; it condemns extreme Socialism because it is the negation of the principles of human freedom and liberty. While allowing the rightful heirs to enjoy

property Islam imposes a great moral responsibility on the shoulders of the persons enjoying it. The Islamic State has every right to deprive a person ownership of property, if it is used to the detriment of society. Moreover, the abolition of inheritance which involves a radical change in the economic as well as the social system is connected with the basic problem of incentives.

Inheritance Tax. Short of abolition, the rights of bequest and inheritance can, of course, be drastically restricted by introducing some form of inheritance taxation. Such taxation has taken many forms in different countries, but it usually involves some degree of gradation according to the total value of the estate and the like. The obligatory nature of making some provision in one's property for charitable objects can be made use of by an Islamic State. If there are exigencies there can be no objection on the score of making compulsory and fixed what has been left by Islam flexible although compulsory enough. The Musalmans, as vicegerents of God on the earth, have every right to pass any legislation which would further "the cause of Allah". They can fix any ratio of death duty for themselves so long as it does not exceed one-third, beyond which the Prophet forbids them to go.

We must not forget that the need for private accumulation of capital does exist in a considerable degree in modern societies and inheritance will continue to find defenders on the ground that it promotes this end. Admitted, however, that any severe restriction on the right of inheritance would, unless the Islamic State uses the proceeds as capital, reduce the rate of capital accumulation; the question is how far severer taxation of inheritance would react on the individual's will to accumulate. This question will have to be kept in view by the Islamic State while fixing the rate of death duty or inheritance tax. It is, moreover, highly relevant to point out that among the richest members of a modern community saving is largely automatic in that it represents surplus income beyond the desire to spend. Clearly, saving of this sort will not be affected by modern inheritance taxation except to the extent to which gifts and charitable donations may be stimulated. But this problem of the modern States can be handled in a better way by the Islamic State which would make use of one's property intended for charitable purposes.

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property Islam imposes a great moral responsibility on the shoulders of the persons enjoying it. The Islamic State has every right to deprive a person ownership of property, if it is used to the detriment of society. Moreover, the abolition of inheritance, which involves a radical change in the economic as well as the social system is connected with the basic problem of incentives.

Inheritance Tax. Short of abolition, the rights of bequest and inheritance can, of course, be drastically restricted by introducing some form of inheritance taxation. Such taxation has taken many forms in different countries, but it usually involves some degree of graduation according to the total value of the estate and the like. The obligatory nature of making some provision in one's property for charitable objects can be made use of by an Islamic State. If there are exigencies there can be no objection on the score of making compulsory and fixed what has been left by Islam flexible although compulsory enough. The Musalmans, as vicegerents of God on the earth, have every right to pass any legislation which would further "the cause of Allah". They can fix any ratio of death duty for themselves so long as it does not exceed one-third, beyond which the Prophet forbids them to go.

We must not forget that the need for private accumulation of capital does exist in a considerable degree in modern societies and inheritance will continue to find defenders on the ground that it promotes this end. Admitted, however, that any severe restriction on the right of inheritance would, unless the Islamic State uses the proceeds as capital, reduce the rate of capital accumulation; the question is how far severer taxation of inheritance would react on the individual's will to accumulate. This question will have to be kept in view by the Islamic State while fixing the rate of death duty or inheritance tax. It is, moreover, highly relevant to point out that among the richest members of a modern community saving is largely automatic in that it represents surplus income beyond the desire to spend. Clearly, saving of this sort will not be affected by modern inheritance taxation except to the extent to which gifts and charitable donations may be stimulated. But this problem of the modern States can be handled in a better way by the Islamic State which would make use of one's property intended for charitable purposes.

Participation of Women. Another significant contribution of the Islamic law of inheritance is that it recognises participation of women in the economic activity. They can now own, possess, enter professions and services, join industry or trade and enter into contracts in their own name.

The difference between the normal share of female heirs and male heirs of the same relationship to the deceased is not, in fact, discriminatory to the prejudice of the female heirs. Under the Islamic system, the obligation of maintaining the family always rests upon the husband, even when, as is often the case, the wife's personal income may be larger than the husband's. To enable the male to discharge his obligations toward the family, his share in inheritance is twice that of a female in the same degree of relationship as himself. Far from operating to the prejudice of the female heir, this actually places her in a favourable position as compared with the male heir because she does not have financial obligations to the family.

What is important here from the economic point of view is that in Islam woman has an identity of her own. She can spare her time and can enter into any profession or trade and thus increase the national wealth. Thus the whole man and woman-power is harnessed to produce value, increase national wealth and add to human happiness.

Subject to the injunctions of the Qur'ān and the Sunnah, the future of inheritance appears to depend, on the one hand, on the growth in modern Muslim communities of collective methods of capital accumulation and of the control of business resources and, on the other hand, on the pressure of the popular movement toward a less unequal distribution of the income; for this movement, ethical as well as economic in its driving force, results in forms of inheritance taxation which limit saving and impinge on profits and thus leads to the necessity of alternative methods of saving and of ensuring adequate production.

5. Summary and Conclusion

In this chapter we have discussed the rationale of distribution of income among the various factors of production. In the first

instance, the payment of rent which generally refers to the conception of "surplus" earned by a particular unit of a factor of production in excess of the minimum amount necessary to keep that factor in its present occupation, does not seem to be inconsistent with the spirit of Islam. It is explained that rent and interest are widely different. Secondly, wage differences resulting from differences in talents and capacities have been recognised by Islam. The fundamental conditions are that employers shall not exploit their labourers and must pay their "dues" and the workers shall not exploit their employers through trade unions and must do their job faithfully, sincerely and honestly. Thirdly, there is a controversy over the differences between "al-Ribā" and "Interest". But if the meaning of Ribā is viewed in its correct historical perspective, there appears to be no difference between Ribā and interest. A brief survey of all modern theories of interest has revealed that the economists have failed to discover a clear answer as to why interest is paid. On the other hand, the Islamic theory of capital does recognise the share of capital in national wealth only to the extent of its contribution, to be determined as a variable percentage of profits rather than the fixed percentage of capital itself. The author is sanguine enough that if sincere attempts are made by the leaders of the Muslim world, it is quite possible to have an interest-free economy. It is established that interest is responsible for the growth of Capitalism with all its attendant evils in society: it creates the problem of unemployment; it retards the process of recovery of depression; it aggravates the debt-servicing problem of the underdeveloped countries; finally, it uproots the basic principles of co-operation and mutual help and creates in man selfishness. Fourthly, Islam has allowed normal profit—not monopoly profit or profit arising from speculation.

Finally, we have illustrated a few generally accepted principles of the Islamic law of inheritance which is at present a fixed, scientific and beautifully harmonious system. The most positive contribution of the Islamic law of inheritance is that it recognises participation of women in the complex process of economic activity.

Distribution of Income and Wealth in Islam

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Chapter VII

TRADE AND COMMERCE IN ISLAM

1. Basic Principles
2. Barter Trade
3. Monopoly Business
4. Speculative Business
5. International Trade and Dumping
6. Trade and Interest
7. Conclusion

Monopoly is unlawful in Islam.

—Prophet Muhammad (peace be on him)

The Islamic State was based upon social relations entirely different from those of the old. Religion extolled industry, and encouraged a normal indulgence of nature. Trade was free, and as a noble profession as statecraft, war, letters and science.

—M. N. Ray, *Historical Role of Islam*

In Islam salvation of the spirit lies not only in spiritual development but also in living a worldly life on the basis of justice and good conduct. Therefore, worldly occupations are recommended again and again both in the Qur'ān and the Hadīth. The Qur'ān says: "When the prayer is finished, then disperse ye through the land and seek the bounty of God" (xii. 10).

The Prophet said: "Earning of lawful livelihood is a duty only next in importance to the duty (of prayer)." Again, he said: "When you finish your morning prayer do not sleep until you strive for your livelihood."

Therefore, Islam has recognised all legitimate economic activities of man—activities which are consistent with the spirit of Islam. Trade, commercial partnership, co-operatives, joint-stock companies are all legitimate activities and operations (ii. 276). Islam does, however, lay down regulations with regard to commercial activities designed to ensure that they will be carried on honestly, faithfully, and beneficially. The Prophet said: "The truthful, honest merchant is with the prophets and the truthful ones and martyrs" (Tirmidhī, 12 : 4).

1. Basic Principles

The basic principles which Islam has prescribed concerning trade and commerce are a high standard of straightforwardness, reliability and honesty. Many of the present-day market imperfections would have been eliminated if these principles were adopted by the business community of the civilised nations of the world. However, these principles of trade and commerce have been reflected in various injunctions of the Qur'ān and the Sunnah with regard to resorting to false oaths, giving correct weight, and creating good-will in business transactions.

False Oaths. Now-a-days traders generally try to convince prospective buyers by resorting to trade oaths partly because of the present-day imperfection of market economy and partly because of indifference of the people towards moral and spiritual values of life. Islam has condemned all business transactions where business men resort to false oaths. Abū Hurairah said : I

heard the Messenger of Allah (peace be on him) say : "The taking of oaths makes the commodities sell, but it obliterated the blessing (therein)" (Bukhārī, 34 : 26). Again, "It is related on the authority of Abū Dharr (may Allah be pleased with him) who narrates that the Prophet of Allah (on him be peace) said : 'Allah will neither speak to, nor look at, nor absolve from the impurity of their sins three (types of) persons ; they shall suffer a grave chastisement.' Abū Dharr (thereupon) ejaculated, 'Ruined and lost are they (indeed) ! Who are those persons, O Prophet of Allah ?' The Prophet replied, 'One who displays his affluence by letting his trousers fall below his ankles, who is ever conscious of his obligations done to others, and one who sells out his goods by means of false oaths'" (Muslim).

Correct Weights. Secondly, the value of proper and standard weights and measures in trade can hardly be overestimated. But Islam laid a great emphasis on the utility of giving correct weights and measures fourteen hundred years ago. There are stern injunctions both in the Qur'ān and the Ḥadīth with regard to giving full weight and measure. Thus the Qur'ān says : "Woe unto those who give short measure, those who, when they take by measure from other people, take it full, but when they give by measure to others or weigh out to them, they give them less. Do not such people know that they will be raised again unto a terrible day, the day when mankind will stand before the Lord of the worlds ?" (lxxxiii. 2-7).

Good-will. Lastly, Islam has laid emphasis not only on giving full weight and measure but also on creating good-will in business transactions which are considered to be the very foundation of the present-day business. A close observation has revealed the fact that bad relations in business transactions mainly arise on account of failure of parties to reduce to writing their terms of business clearly and fairly. On this problem, there are clear instructions in the Holy Qur'ān. With a view to establishing good relations in business, all contracts must be reduced to writing, setting out all the terms thereof, as "this is more equitable in the sight of Allah, and makes testimony surer and is more likely to keep out doubts, and avoid disputes" (ii. 283). The writing should set out the terms agreed upon fairly, and as a further pre-

caution it is laid down that the terms of the contract shall be dictated by the person who undertakes the liability. If the person on whose behalf the liability is undertaken is a minor or of unsound judgment, then his guardian or the person representing his interests should dictate the terms of the contract (ii. 283).

From the above analysis it is clear that trade and commerce in the Islamic State differ fundamentally from the modern conception of trade and commerce ; while the former is linked up with moral and ethical values of life, the latter is not. Therefore, all business transactions which are opposed to beneficence cannot be Islamic in character, and the Islamic State has every right to curb any such transactions or practices which seek to take advantage of the need or distress of the poor people.

So far we have discussed the main principles which Islam has prescribed concerning trade and commerce. Now, an attempt may be made to discuss in some detail some aspects of modern trade and commerce in the light of the spirit of Islam.

2. Barter Trade

Time was when barter trade was the go of the day. Though the volume of barter trade, after the introduction of money economy, has been reduced to a great extent, yet the importance of barter trade even today can hardly be overestimated. Islam has also recognised barter trade subject to the injunctions in the Qur'ān and the Sunnah. In fact, Islam has tried to impress upon the traders that defective and worthless goods or articles should not be given in exchange for good ones (iv. 3). If there is a defect in the thing sold it must be made manifest to the purchaser. Thus Ḥākim ibn Ḥizām reported : The Messenger of Allah (be peace on him) said : "The buyer and the seller have the option of cancelling the contract as long as they have not separated ; then, if they both speak the truth and make manifest, their transaction shall be blessed, and if they conceal and tell lies, the blessing of their transaction shall be obliterated" (Bukhārī, 34 : 19).

Moreover, two kinds of sale prevalent before Islam, *Munābah* and *Mulāmasah*, in which the purchaser was deprived of the occasion to examine the thing purchased, were made unlawful

(Bukhārī, 34 : 62). In fact, goods and commodities for sale should go into the open market, and the seller or his agents must be aware of the state of the market before proposals are made for the purchase of goods or commodities in bulk. He should not be taken unawares lest advantage be taken of his ignorance of the state of the market and the prevailing prices. All this is very clearly laid down by the Prophet.

Again, trade in idols and in things which are forbidden as food such as wine, swine, and that which dies of itself, is disallowed (Bukhārī, 34 : 112). Islam has come to exterminate idolatry and hence it could not allow trade in idols. As regards things forbidden as food, a Muslim has evidently nothing to do with them and he cannot be allowed to carry them to other people. But as there is an expressed direction that the skin of the dead animal should not be thrown away and advantage should be derived therefrom (Bukhārī, 24 : 66), trade or barter trade in it is obviously not prohibited and the same rule may be allowed in other things prohibited as food, such as the bones and fat of dead animals, etc.

3. Monopoly Business

Let us now pass on to the desirability of monopoly and speculative business in an Islamic State. The be-all and end-all of Islamic Economics is to achieve the maximum social advantage. Therefore, any economic activity which is likely to stand in the way of achieving this objective cannot be styled as Islamic. Judged by the standard of benevolence and care for the have-nots, we cannot encourage monopoly and speculative business in Islam.

Because the monopolist generally charges a higher price for his output as monopoly suggests the idea of concentration of supply in one hand, the question of exploitation is very much connected with the idea of monopoly. The competitive producer maximises his profit by equalising marginal cost to price. Since the price is given, he would go on producing more and more until his marginal cost becomes equal to price. In the case of the monopolist, however, the marginal revenue is not equal to but is

always less than the price. Since the demand for his product is less than perfectly elastic, the monopolist can hope to sell increasing output at lower and lower prices. His total revenue is increased if he produces more because the price of the additional unit will be added to his total revenue. On the other hand, however, his total revenue will decline because all the previous units of his output will have to be sold at a lower price. The marginal revenue may, therefore, be easily negative even though the price is positive. The price is known as average revenue (total revenue divided by total output). The marginal revenue is, therefore, less than the average revenue.

Since the most advantageous situation for the monopolist is represented by that volume of output at which marginal cost is equal to marginal revenue, the monopolist will find it profitable to stop the production of further output before the marginal revenue becomes negative. Since marginal revenue will remain lower than average revenue (price), production of optimum output is not possible. This may ultimately lead to under-utilisation of resources and creation of unemployment.

As a matter of fact, much of the theoretical virtues of the system of free enterprise depend on the implied assumption that there is free competition. But, unfortunately, the actual working out of Capitalism has increased the power and influence of gigantic trusts, cartels and monopolies. Poor consumers and work-people and even society as a whole have come very badly out of such a monopoly-dominated economic order—an order which has exhibited a lack of harmony between private and social interest and between private and social good. The point we are making here is that monopoly-dominated economic order is the negation of the principle of maximum social advantage which an Islamic State proposes to achieve. Therefore, an Islamic State must condemn this type of economic order and must control the monopoly either by passing laws or by comprehensive economic planning.

4. Speculative Business

As in the case of monopoly, Islam has also condemned speculative business. By speculation we mean essentially the pheno-

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menon of buying something cheap at one time and selling the same dear at another time. When the future price is expected to be higher than the present price speculative buyers purchase with a view to selling at a higher price in future. Similarly, if the future price is expected to be lower than the present, speculators will sell now in order to avoid selling at a lower price in future. Speculators, it is claimed, confer great benefit to consumers and manufacturers, since the effect of their activities is to smooth out all price differences and to raise present price to the level of future price. In so far as speculation renders social service by helping production and controlling the sudden fluctuation of prices, it is in conformity with the spirit of Islam. But a close observation will reveal the fact that speculators are primarily interested in private gains regardless of the larger interests of society. Since "perfect speculation tends to destroy itself," most of the speculators, by adopting unfair means, try to create artificial scarcity of goods and commodities and thereby create an inflationary pressure on the economy. The poor masses have to pay for it. From the angle of view of beneficence Islam has condemned such speculative businesses. Thus it is related on the authority of Ma'mar who reported that the Prophet (be peace on him) said, "He who accumulates stocks of grain during the shortage of it (with a view to profiteering later) is a great sinner" (Muslim and *Mishkāt*). Again, 'Umar reported : The Prophet (be peace on him) said : "One who imports grain from outside and sells at the market rate his maintenance is blessed, while he who withholds grain from sale in view of estimated dearness in future, he is thrown away from God's pleasure." Thus withholding of grains and other commodities to raise their price artificially as well as *Najsh* or deceiving a purchaser through a third party offering a higher price is prohibited (Bukhārī, 34 : 58). But auction or open sale to the highest bidder is allowed in Islam (Tirmidhī, 12 : 10).

Islam has tried to discourage speculative business by giving the whole problem a moral bent. Even in the capitalistic society several attempts were being made to control speculative business. In his book, *Economics of Control* (p. 97), Professor Lerner has suggested that evils of aggressive speculation can be best tackled by what he calls speculative business, controlled by "counter-

speculation". The Government should set up an agency which should make an estimate of proper prices, and use its resources to bring actual prices to these levels. If need be, the Islamic State will have to evolve such a system, so that the poor people, nay, the society as a whole, may be saved from the exploitation of the unscrupulous speculators. Since modern secular States are drifting towards materialism they have failed to solve this problem in spite of their best efforts. Possibly because of this, Professor Taussig tried to find the solution of this problem in moral improvement of the people. According to him, "The most effective remedy would be a better moral standard for all the industry and arousal of public opinion against all kinds of gambling." In this respect Professor Taussig's approach towards this problem is very close to Islamic viewpoint. In fact, the principles of Economics of Islam stand for a happy blending of moral and material values.

Forward Transactions. Like speculative business, Islam does not give any encouragement to forward transactions. Because Islam regards all such transactions as harmful to society, as trade cycles, which cause great disruption in the present capitalistic system, are the result of brisk activity of such forward transactions; therefore, Islam has warned its followers against indulging in forward transactions. Ibn 'Umar reported : The Prophet (be peace on him) said, "Whoever buys cereals he shall not sell them until he obtains their possession" (Bukhārī, 54 : 43). Again, it is related on the authority of Hākim b. Hizām, who reported : The Prophet (on him be peace) said, "Bargain not about that which is not with you."

5. International Trade and Dumping

So far we have discussed some aspects of internal and local trade and commerce from the Islamic angle of vision. Let us now discuss some broad principles of international trade from Islamic standpoint.

It is not a theory but a verdict of history that Islam has encouraged international trade. If one studies the history of commercial law, one would see that enlightened Muslim Moors used to have an immense trade with the Levant from Barcelona

and other places. There were factories and consuls on the Tanais and a great trade was maintained with Constantinople. It reached ports of India and China and extended along the African coast as far as Madagascar. It is interesting to note that in the middle of the eighth century when Europe was in the dark ages, enlightened Spanish Muslim Arabs such as 'Abdul Qāsim and others were writing treatises on the principles of trade and commercial laws and rates. In fact, Islam has encouraged international trade, not only for economic co-operation, but also for establishing a universal brotherhood through mutual exchange of ideas and knowledge. No doubt, different rates and techniques existed among the Muslim trade areas for an efficient working of mercantile and commercial transactions. These rates and techniques are bound to change with the changing circumstances and time.

Now-a-days the question arises as to what type of trade policy, whether free trade policy or protection, an Islamic State should adopt. Classical economists favoured a policy of free trade and were opposed to a policy of protection because it stands in the way of most efficient allocation of resources throughout the world. True it is that from the pure economic viewpoint we may prescribe a free-trade policy for an Islamic State. Because the Islamic system stands for free trade and believes that each country will produce those goods for the production of which it is specially suited on account of its natural or acquired advantages, and produce more of them than it requires for its own needs, exchanging the surplus with other countries against goods which it is less suited to produce, or which it cannot produce at all. In other words, Islam believes in the eternal doctrine of comparative costs—the very basis of international trade. But if the present-day imperfect and unhealthy competition in the field of international trade as well as greater national interests of all underdeveloped Muslim countries of the world are taken into consideration, we are to support a policy of protection for an Islamic State. This is not un-Islamic.

In fact, "the introduction of customs duties and tolls owes its origin to the fact that during the reign of the Caliph 'Umar the neighbouring countries with which the Islamic State had

commercial dealings persisted in levying duties on the Muslim traders. When Abū Mūsā Ash'arī reported this fact to the Caliph 'Umar, he ordered that, as a reciprocal measure, the Harbīs should be charged the same rate as was being collected from the Muslims, i.e. 10%; where the duty levied by the Harbīs was not known, the same rate 10% was prescribed.¹

This led to the institution of 'Ashīr and, therefore, the tax was extended to the Muslims and the Dhimmīs also at the rate of 2½% and 5%, respectively.

"The difference in the rate of customs duty and tolls between that levied on the Muslims and that charged against the Dhimmīs is due to the fact that the Muslims pay the Zakāt on their trade articles whether or not they pass an 'Ashīr, whereas the Dhimmīs are subject to this toll of 5% only in so far as they come under the jurisdiction of an 'Ashīr by travelling for trade. The difference in rates thus places the Dhimmī and the Muslim trader on a par without giving advantages to one class over the other."²

Dumping. The present discussion on international trade will remain incomplete if we make no reference to dumping in the field of trade. What is dumping? It occurs when producers (usually monopolists) of one country sell their outputs in another country at prices below those charged from the consumers in the country of origin. The objectives of dumping may be (a) to dispose of an overstock produced due to wrong judgment of demand, (b) to develop new trade connections by charging low prices, (c) to drive competitors out of the foreign market whether foreigners or native producers, and (d) to reap economics of large-scale production. Whatever may be the considerations of dumping, the ultimate objective of it is to achieve a monopoly-dominated economic order by ousting native and foreign producers from both the national and international fields and thereby exploiting the vast masses of the people. All this is opposed to beneficence and those who indulge in such practices seek to take advantage of the need or distress of their fellow-beings and, therefore, dumping is against the spirit of Islam. The Islamic State cannot encourage dumping and is quite competent

1. *Mabsūt*, p. 108; *Yūsūf, Kitāb-ul-Kharāj*, p. 76.

2. S. A. Siddiqi, *Public Finance in Islam*, p. 86.

to raise high tariff walls against dumping, especially if it affects its own industries.

This is not the end of the story. The most inhuman aspect of dumping is the destruction of goods after they have been produced, just to prevent lowering their price. In his *Inside Latin America* (p. 315), John Gunther depicts the story of Brazil coffee. One of the greatest difficulties which Brazil faced was how to destroy its four million sacks of surplus crop of coffee in 1914 just to prevent lowering its price. "Again in 1934, a million oranges were dumped into the sea in Liverpool harbour, to prevent the supply, lowering the price of the orange in the market—orange which to the children of the Liverpool poor is an unobtainable luxury. Nearer home one finds orders being issued for the restriction of 121 million pounds of tea in India, Ceylon and the Dutch India."³ The facts are too eloquent to need a comment from the Islamic point of view. Just for the sake of earning a huge profit by not allowing a fall in the prices, this type of trade can hardly be justified in Islam. Islam has condemned all sorts of wastage of resources—both human and material. Thus dumping must be discouraged by Muslim countries of the world.

6. Trade and Interest

At this stage, an attempt may be made to make an inquiry into the reasons which actuated Islam's forbidding interest and permitting trade. The Qur'an says: "Allah has allowed trade and prohibited usury" (ii. 275). But even today many enemies of Islam make a reference to the following verse of the Holy Qur'an, which says: "Trade is just like usury" (ii. 275). They opine that if trade is lawful, why should interest transactions be declared unlawful in view of the fact that it also amounts to trading in capital. It is said that capital invested in trade brings an excess called profit, invested in banking it brings interest. God prohibits one excess and permits another. Then what is the difference between the two? This problem has been discussed at length by a number of leading jurists in their works, either from the legal or from the moral point of view. H. M. Mukerjee mainly

3. H.M. Mukerjee, *Introduction to Socialism*, p. 16.

make an attempt to put forward arguments from the economic point of view.

(a) It is risk-taking which differentiates trade from interest. Risk-taking is the basis of normal trade which is allowed in Islam while interest is fixed and does not fluctuate like profit.

(b) When capital invested in trade brings profit, it is the result of initiative, enterprise and efficiency. This is not true in the case of interest, because the creditor gets for himself a definite amount of money for his loan regardless of loss or profit to the debtors or investors.

(c) In trade the moment a commodity is exchanged for its price, the transaction comes to an end. The purchaser does not give anything after that transaction to the vendor. But in interest dealings, the creditor does not cease to demand his interest (as long as the principal is not returned). Therefore, there is a limit of profit which one may expect from trade but there is no such limitation in the case of interest due to the creditors.

(d) Since trade is productive and a person derives benefit after undergoing labour, hardship and skill, it creates the conditions of full employment and economic growth. The harmful effects of interest during the great Depression of 1929-33 was so deep that economists of capitalist countries were forced to discard the classical economic theories and evolve new ones advocating elimination of interest from their economic institutions. Thus in his famous work, *The General Theory of Employment, Interest and Money*, J. M. Keynes observed: "The money rate of interest, by setting the pace for all other commodity rates of interest, holds back investment in the production of these other commodities without being capable of stimulating investment for the production of money, which by hypothesis cannot be produced" (p. 235). Again, he writes: "It seems that the rate of interest on money plays a peculiar part in setting a limit to the level of employment, since it sets a standard to which the marginal efficiency of a capital asset must attain if it is to be newly produced" p. (222). In fact, "interest both initiates and aggravates crises" which trade does not.

(e) The last, not the least, point is that trade may act as one of the dominant factors in the process of building of civilisation

to raise high tariff walls against dumping, especially if it affects its own industries.

This is not the end of the story. The most inhuman aspect of dumping is the destruction of goods after they have been produced, just to prevent lowering their price. In his *Inside Latin America* (p. 315), John Gunther depicts the story of Brazil coffee. One of the greatest difficulties which Brazil faced was how to destroy its four million sacks of surplus crop of coffee in 1914 just to prevent lowering its price. "Again in 1934, a million oranges were dumped into the sea in Liverpool harbour, to prevent the supply, lowering the price of the orange in the market—orange which to the children of the Liverpool poor is an unobtainable luxury. Nearer home one finds orders being issued for the restriction of 121 million pounds of tea in India, Ceylon and the Dutch India." ³ The facts are too eloquent to need a comment from the Islamic point of view. Just for the sake of earning a huge profit by not allowing a fall in the prices, this type of trade can hardly be justified in Islam. Islam has condemned all sorts of wastage of resources—both human and material. Thus dumping must be discouraged by Muslim countries of the world.

6. Trade and Interest

At this stage, an attempt may be made to make an inquiry into the reasons which actuated Islam's forbidding interest and permitting trade. The Qur'ān says: "Allah has allowed trade and prohibited usury" (ii. 275). But even today many enemies of Islam make a reference to the following verse of the Holy Qur'ān, which says: "Trade is just like usury" (ii. 275). They opine that if trade is lawful, why should interest transactions be declared unlawful in view of the fact that it also amounts to trading in capital. It is said that capital invested in trade brings an excess called profit, invested in banking it brings interest. God prohibits one excess and permits another. Then what is the difference between the two? This problem has been discussed at length by a number of leading jurists in their works, either from the legal or from the moral point of view. H. M. Mukerjee mainly

3. H. M. Mukerjee, *Introduction to Socialism*, p. 16.

make an attempt to put forward arguments from the economic point of view.

(a) It is risk-taking which differentiates trade from interest. Risk-taking is the basis of normal trade which is allowed in Islam while interest is fixed and does not fluctuate like profit.

(b) When capital invested in trade brings profit, it is the result of initiative, enterprise and efficiency. This is not true in the case of interest, because the creditor gets for himself a definite amount of money for his loan regardless of loss or profit to the debtors or investors.

(c) In trade the moment a commodity is exchanged for its price, the transaction comes to an end. The purchaser does not give anything after that transaction to the vendor. But in interest dealings, the creditor does not cease to demand his interest (as long as the principal is not returned). Therefore, there is a limit of profit which one may expect from trade but there is no such limitation in the case of interest due to the creditors.

(d) Since trade is productive and a person derives benefit after undergoing labour, hardship and skill, it creates the conditions of full employment and economic growth. The harmful effects of interest during the great Depression of 1929-33 was so deep that economists of capitalist countries were forced to discard the classical economic theories and evolve new ones advocating elimination of interest from their economic institutions. Thus in his famous work, *The General Theory of Employment, Interest and Money*, J. M. Keynes observed: "The money rate of interest, by setting the pace for all other commodity rates of interest, holds back investment in the production of these other commodities without being capable of stimulating investment for the production of money, which by hypothesis cannot be produced" (p. 235). Again, he writes: "It seems that the rate of interest on money plays a peculiar part in setting a limit to the level of employment, since it sets a standard to which the marginal efficiency of a capital asset must attain if it is to be newly produced" p. (222). In fact, "interest both initiates and aggravates crises" which trade does not.

(e) The last, not the least, point is that trade may act as one of the dominant factors in the process of building of civilisation

through co-operation and mutual exchange of ideas. But interest creates in man the undesirable weakness of miserliness, selfishness and lack of sympathy. Thus, from the economic and ethical standpoint, interest uproots the very foundation of humanity and mutual help and stands in the way of full employment and economic growth. But trade in an Islamic State is a boon to society.

7. Conclusion

The conclusion which ideally emerges from the preceding discussion is that Islam has encouraged all legitimate activities which are consistent with the spirit of Islam. Thus, barter trade is allowed in a restricted way. But Islam has condemned all monopoly and speculative business. Because these activities stand in the way of the desired goal of Islamic Economics which is the attainment of maximum social advantage. Basically Islam believes in free trade. Protective trade may be allowed in special cases. But dumping must be condemned in Islam. There is a fundamental difference between trade and interest. If Islam's principles of trade and commerce are adopted by the traders and industrialists of the world, the weaker groups of the community would be saved from the disastrous repercussions of the trade cycles—a common feature of the modern economy.

Chapter VIII

PRICES IN ISLAMIC STATE

1. Introduction
2. Basis of Islamic Theory of Prices
3. Modern Prices:
 - (a) Monopoly Price
 - (b) Real Rise in Prices
 - (c) Artificial Rise in Prices
 - (d) Rise in Prices of Necessaries of Life
4. Suggestions and Conclusion

Whoever withholds cereals that they may become scarce and dear, is a sinner.

—Prophet Muhammad (be peace on him)

Islam has created a society more free from widespread cruelty and social oppression than any society had ever been in the world before.

—H.G. Wells, *The Outline of History*

1. Introduction

Imbued with the so-called capitalistic and socialistic ideas even some Muslim scholars have started arguing that Islam does not have any economic system of its own. This conception, which is rather a misconception, arises out of lack of proper appreciation of Islamic values and its life-philosophy. The fact is that Islam is the only religion which has enunciated the basic principles covering all aspects of human life, not to speak of economic values only. Since these principles are universal and fundamental, valid for all ages, an economic system based on these principles cannot simply "lay down everything down to the shape of the demand curve" or lay down the policy of the daily meat or fish market. Islam has laid down a broad framework based on equality of economic opportunity and justice for its followers to guide them in the course of their normal economic life. Derivation of micro concepts through the exercise of Ijtihād from within this broad framework has been permitted. This provision of application of Ijtihād is indicative of Islamic dynamism in the economic sphere of life. Therefore, we need not be surprised to know that Islam has provided us with a number of broad principles of pricing. If they are properly implemented, many of the present-day difficulties in handling the problem of pricing would go.

In a free economy demand for and supply of commodities determine the normal price which measures the effective demand being determined by the degree of the scarcity of supply. An increase in demand for a commodity tends to raise its price and induce the producer to produce more of it. The problem of pricing arises because of the maladjustment between demand and supply. This maladjustment is mainly due to the existence of imperfect competition in the market. Competition is imperfect if the number of sellers is limited or if there is product differentiation. The basic point to note is that the producer cannot accept the ruling price as a datum. Perfect competition which assumes perfect market in which the customers, who make up the market, will react in the same way to differences in the prices charged by different sellers, is merely a theoretical tool of price analysis. Because under perfect competition the industry in full equilibrium will consist of a

number of optimum-sized firms, price will be equal to marginal cost as well as to average cost at the point at which the average cost is at its minimum. Both perfect competition and pure monopoly are rare phenomena. In actual life, we come across imperfect competition in most of the cases. Because under imperfect competition the output of the individual firm will be determined at the point of intersection between the marginal cost curve and the marginal revenue.

2. Basis of Islamic Theory of Prices

With these general observations, let us pass on to the basis of the Islamic theory of prices. That unsocial trends of price changes to the disadvantage of the mass of people in the community should be controlled or regulated is not, perhaps, controversial either from the purely analytical viewpoint or from the Islamic point of view. To me basic difference arises from the fact that in an Islamic State, the urge for such control or regulation should come from "within" the community—a community which has already been imbued with the values of Islam. Therefore, its effect is lasting and decisive, whereas in the so-called capitalistic and socialistic States, these regulations are imposed upon the community and the community may or may not accept them in a desired and effective way.

However, theoretically, it would perhaps be possible to conceive of an ideal Islamic State free of imperfections. But this is not an attainable goal, just because man is not, and cannot be, perfect. Even assuming these imperfections of society we cannot endorse the part played by the "marginal concept" in determining prices under capitalistic economy. In monopolistic competition we are used to give undue emphasis on the doctrine of "marginal concept" thereby underestimating the role of infra-marginal units of production. In the Islamic theory, we are more inclined to accept the concept of "average" rather than that of "margin".

Since it is impossible to remove variety of ability, equity demands that returns must be related to effort. The Holy Qur'an says: "And that man hath only that for which he maketh effort" (liii. 39).

That fact is that in the Islamic scheme of society, fair price is not a concession but a fundamental right enforceable by the law of the State. Once this reorientation of State attitude has been accomplished the actual fixation of price would be a matter of correct adjudication because the fundamental basis of the Islamic theory of price is the principle of co-operation and healthy competition instead of monopolistic competition as under capitalistic economy. Here, by healthy competition I do not mean perfect competition in the modern sense of the term but a competition free of speculation, hoarding, smuggling, etc. However, once the normal price is determined through consensus of opinion the question of State control arises only in relation to that "norm". In order to create conditions for proper co-operation between producers and consumers in the long run, what is needed is to inject into them the spirit of Islamic values and code of business conduct through systematic education. But in the short run, it seems necessary to ensure that the State must encourage the formation of consumers' associations somewhat on lines similar to producers' associations as exist in our society. An Islamic State will have to assure them that their complaints would be heard in the proper quarter. If need be, the consumers' power to recommend revocation of business licences has to be recognised. Simultaneously, the Government should also encourage formation of consumers' co-operatives and branch out into more fields where prices are manipulated by profiteers and monopolists.

3. Modern Prices

Now I would discuss the pricing problem arising out of imperfect competition of the present-day economy under the following headings: (a) Monopoly Price; (b) Real Rise in Prices; (c) Artificial Rise in Prices; and (d) Rise in Prices of Necessaries of Life.

(a) *Monopoly Price.* The pricing problem under imperfect competition may best be approached with the help of the monopoly analysis. In spite of the threat of potential competition, the possibilities of consumption of substitutes and the risk of State interference, the general presumption is that monopoly price is

higher than competitive price, and the output produced by a monopolist is lower than that produced under competitive conditions under perfect competition. The demand curve facing each seller is perfectly elastic, and he goes on producing and selling additional output until marginal revenue is equal to price. But a monopolist has to face a comparatively inelastic demand curve and as he produces and sells the additional output, price declines in the market. Marginal revenue will then be less than price, and a monopolist will produce up to the point at which his marginal cost is equal to his marginal revenue. Hence monopoly output is in general less than competitive output and his price is higher than competitive price.

Thus when lesser output under monopoly is connected with the idea of under-utilisation of resources and consequent creation of unemployment in the society, higher prices charged by the monopolist obviously cut the real income of the labourers and poor masses in general. Both the situations are not consistent with the spirit of the Qur'an and the Sunnah, because they are anti-social and deprive the poor, nay, the community as a whole, of the beneficent and proper use of the "Bounty of Allah". I maintain that the Islamic State has every right to control and regulate monopoly price and profit. Maximum prices may be fixed. Efforts may also be made to introduce a new element of incentives in the process of production in the form of maximum rewards of factors of production in a manner that conditions approximating to competition may be created so that it may no longer be to the advantage of the monopolist to limit his output and keep productive factors out of employment. The difficulty here is to arrive at correct levels of prices and rewards of factors. This, however, can be achieved, if proper machinery is established for the purpose and the method of trial and error is allowed to arrive at correct prices. If need be, nationalisation of monopoly may be resorted to as an extreme step, because, according to the Holy Qur'an, a legal owner of a firm or property is not the only person entitled to its use. Those in need have right in the property of those who are better off, inasmuch as all wealth is a bounty of God and is acquired through the use of resources which God has provided for the benefit of the whole of mankind (li. 20).

Viewed from this standpoint the recent promulgation of the Monopolies and Restrictive Trade Practices (Control and Preventive) Ordinance by our Government is a positive step in the right direction. It accords State recognition to the fact that the existence of monopoly power in industry, concentration of wealth in the hands of a few giant firms, and their widespread business collusions have led to corrupt practices and exploitation of the consumers. In this Ordinance a clear-cut definition has now been provided of such terms as undue concentration of economic power and unreasonable monopoly; for example, the former covers those companies which have assets of over one crore of rupees and, in case of public companies, those in which individuals hold or control 50% shares. But much will, indeed, depend on the actual operation of the new law which must have a fool-proof machinery to enforce its intent and purpose. It is, however, felt that there should be proper assesment of how many monopolistic combines and cartels will actually break up under the impact of the new ordinance; if it affects only a few, the upper limit of a monopoly should be scaled down.

To do away with the evils of wealth concentration, it may also be necessary to drastically amend the company laws, abolish the managing agency system and strengthen the public sector. That would help harmonise the dictates of Islamic social justice with the demands of economic dynamism—the underlying objective of the new Ordinance.

(b) *Real Rise in Prices.* The causes of real rise in prices are: (1) increasing money supply, (2) decreasing productivity, (3) increasing development activity and (4) various fiscal and monetary measures. True, expansion in money supply generates effective demand. But any money expansion in the face of a disappointing growth of output, causing grave imbalance between availability of goods and monetary demand, is bound to create inflationary pressure. Expansion in the money supply also encourages speculative activities on a wide scale looking up for resources in the form of excessive holdings of inventory. Therefore, monetary authorities of an Islamic State must know that in a growing economy there is always scope for using deficit financing (i.e. money expansion through loans mainly from banks) even when the objective is

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price stability. Where exactly that point lies is, of course, a matter of practical judgment. The question of this arises out of the expansion in output and the rise in monetary requirements per unit of output owing to decreasing income velocity and increasing monetisation which are the normal features of a developing economy. While handling this problem of deficit financing another important factor which should be kept in view is that interest on loan will not be allowed to exercise its adverse effects on production, distribution and employment.

Secondly, if rise in price is due to inadequate increase in productivity resulting either from seasonal or cyclical or other factors, much can be done by an Islamic State in preventing the price rise either by changing fiscal or monetary policies, or by rationing essential consumers' goods and by licensing new investments. The concern for the welfare of the people is the guiding principle of an Islamic State.

This brings us to the discussion of the role of the Islamic State in regard to rise in price resulting from increasing development activity. In a growing economy where major development programmes, implying major shift of resources away from traditional production techniques and activity, have been undertaken, price increases partly because of the existing socio-economic institutions running on the traditional pattern, partly because of its dependence mainly on agricultural type of economy where rapid adjustments are not possible as in industry, and partly because of growing uncertainties of foreign aid and loans, the cumulative effects of which put pressure which monetary authorities find it difficult to overcome. To my view, whether this price increase will be approved by an Islamic State or not depends on the type of objectives a country wants to achieve through the implementation of the development programmes. If development activities of a country bring fortune only to a few privileged persons to the neglect of the vast masses of the people, we are not prepared to accept that type of development in an Islamic State whatever justification one may have. Even price rise which is inevitable due to development may be justified if that is for the people. An Islamic State must see that everybody gets his due. The Qur'an directs that the kindred, the needy, the way-

farer must be paid their due (xxx. 90). To this end, there is emphatic and repeated exhortation in the Qur'an. Such giving should be in proportion to the need of the person to be helped and in accord with the means of the giver, and should not proceed from any expectation of receiving a return (xvii. 27; xlvii. 7).

It is indeed the highest bounty of God that He should have endowed man with appropriate faculties and capacities and then subjected the universe to beneficent service of man to enable him to achieve the fullest development of his faculties in every sphere of life. Therefore, an Islamic State must use Islam as a factor of development so that people are inspired to put their faculties to beneficent use in the service of their fellow-beings. If people motivated by this spirit carry on the development activities which result in price increase, we are prepared to accept such a situation in an Islamic State.

Lastly, let us now talk of fiscal measures like taxes on manufactured goods, which may contribute to rise in price. In an Islamic State there is always room for additional taxation. The principle is that, while imposing taxes on goods and services, their impact and incidence on the poor and the needy must be kept in view. The excessive concern for raising revenue through indirect taxes cannot be supported because indirect taxes are generally imposed on the necessities of life and poor people are likely to be hard hit.

(c) *Artificial Rise in Price.* The artificial scarcity of goods created by unscrupulous business men resulting in rise in price is due to (i) speculative business, (ii) hoarding, (iii) black-marketing and smuggling. Both the Holy Qur'an and the Sunnah have emphatically condemned all these activities. Speculation, which implies buying a commodity with a view to selling it at a higher price in future, results in increase in price. Islam has severely condemned this type of artificial rise in price, because in actual life we find generally illegitimate speculation, for perfect speculation tends to destroy itself. If speculators are perfectly wise, they will make a correct forecast of future changes in prices, and as a result of their action these price fluctuations will be eliminated altogether, so in the end price would cease to fluctuate. The unscrupulous business men will not tolerate this situation under the

capitalistic frame of society. They will deliberately create a false opinion as to the general conditions of demand and supply. Islam is not prepared to accept this unrestricted speculative activity resulting in rise in price. Ma'mar reported, the Prophet (be peace on him) said : "He who accumulates stock of grain during shortage of it (with a view to profiteering later), is a great sinner" (Muslim and *Mishkāt*, 12 : 8). Again, it is related on the authority of Jābir who reported : the Messenger of Allah (be peace on him) said : "May Allah have mercy on the man who is generous when he buys and when he sells and when he demands (his due)" (Bukhārī, 34 : 16).

Apart from the speculative rise in prices in actual life many traders and business men, instead of putting their faculties to beneficent use in the service of their fellow-beings, have a tendency to hoarding and black-marketing not realising that even from purely selfish point of view the greatest benefit is to be derived from free and fair dealings, not from the apparent rise in price due to hoarding. The Holy Qur'ān declares that there is a grievous punishment in store for those who encourage hoarding. Thus Allah commands :

And there are those
Who bury gold and silver
And spend it not in the Way
Of God : announce unto them
A most grievous penalty (ix. 34).

The principle is that one must not hoard just to derive a temporary benefit out of higher price. Holding back actually renders a person progressively poorer in the true sense inasmuch as he stultifies his faculties, and by putting that which he possesses out of human consumption in the time of need deprives the community of its proper and legitimate use.

To my mind, the Islamic State is quite competent to deprive as a last resort speculative and anti-social business firms of ownership. The Government of the Islamic State is quite justified in taking drastic measures against hoarding, smuggling and profiteering in order to check undue rise in prices. When hoarded stocks are brought into open indicating a fall in prices as a result of deliberate policy of the State, it must make arrangements for the production of replenished stock of hoarded goods. It is not

out of place to mention here that another cause for artificial increase in price lies in the unrestricted earning and spending inherent in the capitalistic system. The result is social chaos. Thus wealthy people indulge in "conspicuous waste" motivated by the false sense of prestige and dignity. This conspicuous waste is bound to create the problem of scarcity of specific goods resulting in rise in prices. Islam is very critical of this type of expenditure. The Holy Qur'ān says :

... eat and drink :
But waste not by excess,
For God loveth not the wasters (vii. 31).

Another significant verse is :

Those who, when they spend,
Are not extravagant and not
Niggardly, but hold a just (balance)
Between those extremes (xxv. 67).

Therefore, an Islamic State is morally bound to control the "conspicuous waste" of the rich, lest it should undermine morals and paralyse lawful economic activities and increase the miseries of the poor people. Thus while discouraging the "conspicuous waste" of the rich, Islam does not favour the idea of self-denying practices by which a man deprives himself of certain kinds of lawful goods. The Qur'ān says : "O you who believe ! do not forbid yourselves the good things which Allah has made lawful for you and do not exceed the limit" (v. 87).

(d) *Rise in Price of Necessaries of Life.* A religion which regulates and controls even our menu with a view to making us pure cannot ignore the rise in price of foodgrains. Great stress is laid on the sale of cereals, because they are the prime need of the common man. They should, therefore, be sold in the market so that they may be had at the price which the producer obtained. The question of speculation in this prime need of every man—rich or poor—is totally ruled out in Islam. Ibn 'Umar reported : They used to buy cereals from the camel-owners in the time of the Prophet (be peace on him) and he used to forbid them selling it where they purchased it, until it was brought to the place where cereals were sold (Bukhārī, 34 : 49). We have already seen that the withholding of cereals to raise their price artificially is

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condemned.

4. Suggestions and Conclusion

Taken all in all, we must say that the Islamic theory of prices precludes any type of exploitation either from the producer's side or from the consumer's side. In a mixed economy like Pakistan's, producers are more or less organised, but consumers are not. Hence the necessity of educating them under State patronage and control with a view to harmonising the dictates of Islamic social justice with the demand of producers' incentive. However, to keep the price level of the basic necessities of life within the reach of common man and work-people, an Islamic State must take a number of policy decisions which may include some short-term measures like: (a) procurement of some cash and non-cash crops by the State so that farmers get the due price of their produce, (b) rationing of foodgrains and supply of subsidised essential consumer goods, (c) holding of seminars/discussions between producers and consumers under State patronage with the clear objective of imbuing them with an Islamic code of transactions, and long-term measures like (a) setting up of a high-powered fair price authority (I do not like to suggest the term "price control" from the producer's viewpoint) consisting of representatives of producers, consumers, Government experts and Islamic jurists, (b) creation of a network of consumers' co-operatives throughout the country under State patronage on a no-profit-no-loss basis, (c) comprehensive consumption planning within the framework of State planning. Needless to mention that none of these measures are, to the best of my knowledge, against the injunctions of Islam.

Lastly, I submit that the big question that awaits solution by an Islamic State is the derivation of a foolproof institutional arrangement based on Islamic principles which will automatically take care of all economic ills of the society. Any one injunction working in isolation will, I am sure, produce a lopsided state of affairs, as is the case now in almost all Muslim countries.

Chapter IX

BANKING IN ISLAM

1. Introduction : Islam and Modern Banking
 2. Usury, Interest and Islam
 3. Classical and Keynesian Views on Interest
 4. The Theory of Zakāt
 5. The Principle of Muḍārabah
 6. Mechanism of Islamic Banking
 7. Short-Term and Long-Term Financing
 8. System of Guarantee
 9. Islamic Bank and Consumption Loan
 10. Relation with Depositors
 11. Relation with Entrepreneurs
 12. Practicability of Partnership between Business Men and Bank
 13. Superiority of Islamic Conception of Banking
 14. Islamic Bank and Non-Banking Service
 15. Islamic Bank and Extra-Banking Activities
 16. Islamic Bank and International Relations
 17. Bait-ul-Māl and Modern Central Bank
 18. The Case for Establishment of Muslim World Bank
 19. Pakistan and Islamic Banking
 20. Summary and Conclusions
- Appendix : Some Economic Resources of the Muslim Countries

Chapter IX

BANKING IN ISLAM

Trade is like usury. But God hath permitted trade and forbidde usury; Allah will deprive usury of all blessings, but will increase for deeds of charity.

—*al-Qur'ān*, ii, 275-276

... I mean the doctrine that the rate of interest is not self-adjusting at a level best suited to the social advantage but constantly tends to rise too high, so that a wise government is concerned to curb it by statute and custom and even by invoking the sanction of the moral law.

—Lord Keynes, *The General Theory*

1. Introduction : Islam and Modern Banking (An Analysis of Interest-free Banking System)

Imbued with the ideas of Western civilisation many a Muslim scholar has started finding serious weaknesses in our religious injunctions. It is a blunder on the part of any person to think that Islam is a mere religion, and that its principles are out of tune with the modern world. In fact, Islam is not a religion; it is a social system, a composite code, a civilisation of which religion is a part. But the fundamental principles of Islam are challenged by different schools of thought like Capitalism, Communism, etc. As followers of Islam the Muslims have to face the situation with reasons and arguments of their faith in keeping with the intellectual standard of the modern world. Here an attempt is being made to point out the differences between Islamic and capitalistic conceptions of modern banking and to see if the former has anything better to offer than the latter.

2. Usury, Interest and Islam

The *Qur'ān* and the *Sunnah*—the two fundamental sources of Islamic Law—strictly forbid interest for its tyranny (ref. *Sūrah*s "Muzzammil" and "Baqarah"). Even some learned Muslims, blinded by the superficial charm of the European civilisation, say that what Islam prohibits is usury and not interest. They opine that interest paid on loans for investment in productive activities would not contravene the law of the *Qur'ān* for it refers only to usury on non-productive loans which prevailed in pre-Islamic times when people were not familiar with productive loans and their influence on economic development. In this the propounders of the theory of interest would appear to have overlooked that the *Qur'ān*, the last of the divine messages for human guidance, legislated for all ages, and that God's knowledge as embodied in it could not be substituted by economic practice of interest on productive loans known to this or any other age. In fact, the difference between productive and so-called unproductive loans is a difference of degree, not of kind. Calling usury or *Ribā* by the name of "interest" will

not change its character since interest is nothing but an addition to the borrowed capital, which is usury in both spirit and Islamic code of law. Again, *The Concise Oxford Dictionary* defines usury as follows: "Practice of lending money at exorbitant interest esp. at higher interest than is allowed by law." The same sentiment is also expressed by *Chamber's Dictionary*. But what is an exorbitant rate of interest? What is a reasonable rate of interest today will be an exorbitant rate of interest tomorrow. Again, what is reasonable to one country may be unreasonable to another country. In the 'twenties many co-operative societies had been charging from 12% to 15% interest and at that time it was considered reasonable. But today it is considered to be most excessive and exorbitant. Even the 8½% rate of interest which was considered by an expert body like the Financial Committee of the late League of Nations as reasonable is now regarded as exorbitant or usurious even in economically backward countries like India, Pakistan. Moreover, even today there are instances where in some countries the legal rate of interest in one leading institution is exorbitant compared to the legal rate of interest of another institution in the same area for a similar type of loans. In the U.S.A., for example, a bank cannot charge more than 8% as interest whereas a finance company can charge 30% to 36% rate of interest per annum for a similar loan. Again, for a personal loan a private money-lender charges 24% to 100% per annum, and it is still not against the law. As a matter of fact, there is no difference between interest and usury or Ribā. Islam definitely prohibits all sorts of interest whatever high-sounding and persuasive names we may give it. But in our capitalistic economy interest is the centre round which the banking system revolves. Without interest, it is argued, the banking system will become lifeless and the whole economy will be paralysed. But Islam is a dynamic and progressive force, and it is quite possible to prove that the Islamic conception of interest-free banking system is superior to modern banking. At this stage an attempt may be made to establish that the rate of interest has nothing to do in influencing the volume of saving. In this connection the classical and Keynesian views on interest may be recorded.

3. Classical and Keynesian Views on Interest

The classical economists like Alfred Marshall are of opinion that the rate of interest and savings are inter-linked. Since the rate of interest is one of the most important factors which govern the volume of savings, the higher the rate of interest, the larger the reward for saving, the higher the propensity to save and *vice versa*. Thus according to them any increase in the volume of saving means the increase in investment which results in development of trade, commerce and industry.

The classical analysis is refuted by a world-famous capitalistic economist, Lord Keynes. Keynes has cast a serious doubt on the efficacy of the rate of interest in influencing the volume of saving. He boldly declares that the volume of savings, to all intents and purposes, depends on the volume of investment. A high rate of interest will damp down the volume of investment made by the business public. As a result, trade, commerce and industry as a whole will be adversely affected. Owing to this direct blow on the economic system the aggregate money income will shrink. But we are fully aware of the fact that savings depend on the level of money incomes of the people. As the *per capita* income of people will shrink, automatically the volume of savings will be reduced.

Though Keynes, being the victim of his environment, regards 3% as a reasonable rate of interest, yet in the middle of his famous book, *The General Theory of Employment, Interest and Money*, writing under the heading "Observations on Nature of Capital," he clearly admits the Islamic conception of banking and asks the people to earn money by enterprise. "A properly run community," observes Lord Keynes, "equipped with modern technical resources, of which the population is not increasing rapidly, ought to be able to bring down the marginal efficiency of capital to zero within a single generation, so that we should attain the conditions of a quasi-stationary community where change and progress would result only from changes in technique, taste, population and institutions with the products of capital selling at a price proportioned on just the same principles as govern the prices of consumption goods in which capital charges enter

in an insignificant degree."

Keynes is fully conscious of the drawbacks of Capitalism which can be got rid of if interest is abolished. Thus he said, "If I am right in supposing the capital goods so abundant that marginal efficiency of capital is zero, this may be the most sensible way of getting rid of many of the objectionable features of capitalism." In this connection, it is interesting to note that Crowther, in his book, *An Outline of Money* (1958 edn.) observed: "a gradual and imperceptible fall in the value of money is necessary to enable the world to slip out of its self-imposed claims of usury" (p. 98). He attributes the rise of prices in every succeeding century to this fall in the value of money, which is necessary "to keep the steadily mounting money from becoming a burden" (p. 178).

In fact, it is found by modern research that interest has nothing to do in influencing the volume of saving. Practically, it is the rate of investment that determines the rate of saving. Islam prohibits interest but encourages investment. Here, one may argue that if no interest be paid on deposits, then the people may be tempted to keep their deposits idle and in hoarded form. It is here, we think, that Zakāt plays a very significant role. Islam penalises those who keep their money idle.

4. The Theory of Zakāt

Zakāt is the strong blow at the root of Capitalism. Unfortunately, Zakāt has been widely misunderstood. Some have taken it to be a voluntary private charity, whereas it is a compulsory tax on savings and property, at a rate varying from 2½% to 20%. Here I do not like to discuss the question whether it is right in modern times that the categories of property defined in the early days of Islam on which Zakāt was imposed should be accepted as final and relevant. But the jurists are agreed that where Zakāt is due, and is not paid, enforcement measures can be taken against the defaulters. The history of Islam records many incidents where the State took severe steps to enforce payment of Zakāt as we find in the case of Caliph Abū Bakr al-Ṣiddīq, the first Caliph of Islam.

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the tendency to hoard idle cash resources and provides a powerful stimulus for investing these idle stocks. This stimulus gets momentum from the fact that Islam allows profits and sleeping partnerships in which profits as well as loss is shared.

5. The Principle of Muḍārabah

The Islamic banking will be based on the universally recognised principles of Shirkāh (partnership). That is, the whole system of banking in which the shareholders, the depositors, the investors and the borrowers will participate on partnership basis. This will, we are sure, work through the application of the eternal principle of Muḍārabah, where labour and capital can be combined together as partners for work. This is not merely a partnership in the modern sense of the term. It is something more than this, because Islam has provided a code of economic ethics combining the material and spiritual values for the conduct of its economic system. This code of economic ethics will have to be reflected when the principle of Muḍārabah will be put into practice. The Islamic banking system can help establish certain institutions on the basis of Muḍārabah and thereby solve the age-old conflict between labour and capital. Industrial, commercial and agricultural enterprises can be worked out on the principle of Muḍārabah combining the various units of production. The income resulting out of such enterprises can be shared proportionately among the various units of production after deducting all the legitimate expenses of the enterprisers during the year. The writer is quite sure that this principle of Muḍārabah can be put into practice not only in internal field but also in international field of economic activity. It is very timid, to say the least, on the part of any Muslim country not to develop its banking system on this principle.

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clients does not arise. It can be started with new private banks by the people or by the Government. Under the Islamic scheme of banking, there may be two types of depositors. The first type of depositors, who can deposit their surplus funds, may be allowed to withdraw their funds any time without any notice. This type of deposits is for safe depositing only, not for investment in any productive activity where risk is involved. In the case of such deposits, the bank may recover Zakāt and service charges from Muslim and non-Muslim depositors respectively. This taxation on idle funds is justified, because it checks the tendency to hoard cash in idle form and provides a stimulus for investing in productive activities.

The second type of depositors will not be in a position to withdraw their funds without notice. Their surplus funds may be invested in productive affairs on a short-term basis. The bank will not charge anything from these depositors; rather, they will be allowed to share the profit or loss of the bank proportionately at the end of the financial year in a form similar to that of dividends. The Islamic bank, however, can raise funds, if need be, by inviting investment for a period from one year to five years or more. Even in Western countries some of the banks issue investment certificates or investment bonds on a fixed rate of interest. But in an Islamic State these investment certificate-holders will be eligible to share the profits of the bank proportionately in the form of dividends which may be worked out at the end of the financial year. Obviously, the Islamic bank cannot issue debentures for fund-raising, as it involves paying of a fixed rate of interest.

7. Short-Term and Long-Term Financing

The short-term financing of industry, trade and agriculture can be made by the Islamic bank on partnership basis. In this respect, the Islamic bank makes itself directly liable both to those who keep their funds with it and to those who borrow funds from it. Even a more important function of the Islamic commercial bank is that it can create credit. Islam has prohibited the charging of usury or interest. This does not mean that Islam does not allow financing of trade or industry on credit. Though there

is a tendency of the banks to expand credit far beyond the limits of their reserves at times of prosperity and *vice versa*, yet business management contract allowed under Islamic code will be able to check the factors that shake economic stability and set successive economic crises in motion.

Loans provided by ordinary deposit banks are often given on short-term basis not exceeding two years. Since most of their borrowed funds are payable on demand or at short notice, they dare not lock them up in long-term loans and investments. This type of bank has a special liquidity problem which governs its choice of investments. Thus assets should not be chosen merely according to the principles of profitability and security. Even more important is the timing of the liquidity of the assets with respect to the time structure of the liabilities. Therefore, it is recommended that specialised credit institutions like Industrial or Agricultural Development Banks and the like may be developed for long-term financing of trade, industry or agriculture as the case may be, on partnership basis. The bank and the other party may work out the ratio of the profit and loss based on the amount of funds and on the length of period advanced in accordance with local practice and Islamic code.

8. System of Guarantee

Probably, the Islamic bank can evolve the system of guarantee of loans for industries, working capital as well as for equipment. This guarantee may induce private capital to move into Muslim countries, because the flow of private capital in Muslim countries has always been inadequate in relation to the trends towards external assistance. The bank's guarantee may help the industrialists of small-scale industries in providing tools and equipment. The foreign exchange thus saved, however small in amount it may be, may be directed to other productive purposes. It is only in the development of small-scale industry that private initiative and enterprise find full scope of development and the economic base of democracy is strengthened, because it creates opportunities for employment for both unemployed and under-employed in an economy like Pakistan's.

In the absence of any growth of cottage and small-scale industries in rural and semi-urban areas the agricultural economy of Muslim countries cannot offer employment to their labour force throughout the year. Therefore, there should not be two opinions on the question of financing development projects on a large dimension in the dynamic setting of the growth of Muslim countries. Now as to the question of ways and means it is a matter of detail and may be examined in the light of rapidly changing circumstances.

9. Islamic Bank and Consumption Loan

The requirements of the daily life are becoming more and more complex. Therefore, the importance of consumption loans for genuine requirements of the individuals can hardly be overestimated. The consumption loans are more or less unproductive in nature, though their influence on the productivity of the community has indirect bearing in so far as it stimulates production and supply. But as they do not produce any direct income, therefore, it may not be possible for the Islamic bank to lend money for such loans on partnership basis. It is recommended that such loans will be made either by people's co-operative societies or by some Government credit agency. Loans must, of course, be granted against the deposit or evidence of fixed assets owned by the borrowers. The establishment charges of these banks will be borne by the State like the charges of hospitals, orphanages and other public utility institutions, as, for instance, universities, etc. So in the Islamic social set-up the State is forced to tax all deposits and credit balances to meet its charges. People will not find it difficult to bear this burden of taxation since, on account of free service, trade, commerce and industry will flourish. As a result, the economic resources will be exploited, the problem of unemployment will be solved and the national income will increase in the Islamic State.

It is interesting to mention that a peculiar kind of loan existed—and it still does exist in all the Muslim countries—which was called *Qard-i-Hasanah*—a loan without interest. Because lending and borrowing had been mentioned in religious laws too, they were also governed thus. A debtor had to clear all his debts before

his death, otherwise he would be a sinner. The lender, in some cases, not to subject his fellow-men to this sin, would advance "*Qard-i-Hasanah*" the repayment of which was not imperative.

10. Relations with Depositors

Depositors as a whole, and not as individuals, shall be deemed to be the capitalist and the bank the absolute operator in the sense that it will be entitled to appoint agents for the investment of its deposit money. Some of these investments may achieve great success, others turn out to be moderately successful, and others, of course, prove a failure. It follows that in allotting funds the banks have to judge as to whether the particular type of trade or industry would be worth taking or not, and can judge his customers and thereby provides a check on expansion of those types of trades and industries which are likely to be uneconomic in the long run and undesirable from the social angle of view or involve too much risk which cannot be calculated with reasonable accuracy. The Islamic bank, by putting a check on the undesirable investment, can render and does render a great service in fostering economic development on most sure and sound lines. The need for this direction of investment arises from the fact that in all Muslim countries resources are very limited compared to the need of carrying out vast development programmes.

11. Relations with Entrepreneurs

The bank in each financial year would compile a balance sheet of all such profits and losses, and the ultimate balance remaining after the bank's general expenses are met, including salaries, wages and reserves, will be shared between the bank and the depositors in line with the relevant agreement. The bank's own share will then be distributed to the shareholders in proportion to their respective shares. In a recent article the Egyptian scholar, Dr M A. al-'Arabī, has rightly pointed out :

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case the conditions governing the rights and obligations of the capitalists and operators shall apply. Any profits realised by the entrepreneur—the operator in this case—shall be shared with the bank as capitalist, in the agreed proportions (*The Pakistan Times*, 30 December 1966).

However, "If no profit or loss is suffered, the capital shall be restored to the bank intact, but in case of a losing business, the loss shall be exclusively borne by the bank; should an entrepreneur (operator) be guilty of detrimental acts that damaged part of the capital, he shall be held responsible for damages."

Apart from this basic need for direction of investment banks must be aware of the fact that real security for the deposits is the quality of advances and adequate liquidity. If the quality of advances is high and liquidity is adequate, augmentation of capital structure would have little significance except perhaps in terms of advances which, I am afraid, are not yet a feature of banking in Muslim countries. In Islamic banking system we find a fusion between investment, experience and financial experience. The greatest advantage which we can reasonably expect from harmony between investment experience of the investors and financial experience of the bank is the maximum guarantee for sounder investment through the best possible utilisation of limited resources the Muslim countries have.

12. Practicability of Partnership between Business Men and Bank

It may be argued that business men might refuse to take the bank as a partner in an interest-free loan system. As Islamic economy is the fusion of Capitalism and Socialism, small business men, who do not want any loan from the bank for carrying out their internal or inter-regional trade, might be left free and they might not be allowed to become partners with the bank. But in the case of international trade and commerce, business men cannot refuse to take nationalised banks as partners. Because comprehensive economic planning for the exploitation of the economic resources is allowed under Islamic Socialism and the entire commercial policy, which influences both exports and

imports, will be dictated and guided by the State. No doubt, under the Islamic scheme of society, there is not much room for the capitalist trinity—sovereignty of the consumer, tyranny of the price system, and quest for huge profits. Here the economic architects generally would determine what use is to be made of limited resources and, therefore, to some extent impair the sovereignty of consumers. So the question of investing money in a joint-stock company by depositors directly instead of depositing money in the bank does not arise at all. Because the Islamic economy is a good substitute for that allocation of economic resources which in a capitalist system is determined by prices and incomes, and related in turn to consumers' sovereignty and decisions made by innumerable business men who are responsible for either over-production or under-production. In these circumstances, business men would be tempted to co-operate with the banks to get the free banking services and to reap the benefit of keen business outlook and financial experience of the banks. So practicability and feasibility of partnership between business men and the bank can hardly be challenged.

It is interesting to note that in the semi-socialist environment of the United Arab Republic, an experiment in interest-free banking was launched some four years ago on a modest scale which has now flowered into a flourishing institution. The first bank was opened on 25 July 1963 in the town of Mit-Ghamr, with a population of 40,000, and the centre of a province of another 200,000 people living in fifty-three villages along the Nile about half way from Cairo to the sea, with 1000 savings depositors. It now has nearly 60,000 depositors and branches in four provinces. The number of savings depositors in all banks is 125,000 and the number of investment depositors is 4000. Total deposits in all accounts amount to £ E 260,000 (about Rs. 36 lakh).

This scheme of interest-free banking is aimed at effecting a massive change in the fundamental attitude of villages in the heart of the Nile Delta towards saving and investment. The instrument of change is an ingenious savings bank project and the goal is to begin industrialisation of villages without State interference. Dr Ahmed El Naggari is the head of the project. "Deposits of such banks are of three kinds: (a) Savings accounts

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are opened with a minimum deposit of 5 piasters. The sum is withdrawable on demand and does not yield interest. (b) A social service fund is composed of charitable gifts held as trust by the bank. These are used as disaster insurance for savings depositors. (c) Investment accounts are opened with a minimum deposit of one Egyptian pound (Rs. 14). The deposits are withdrawable once a year and yield the depositor a share in bank profits according to size and terms of the deposit.

To date the bank has not had one loan not repaid in good time. Dr El Naggar attributes this record to the community pressures built into the operations of the banks. By continually emphasising that the banks belong to the people, and by building representation of the local people into bank management, the project creates a climate for the people to exercise their own social controls over anyone who tries to cheat or harm the banks. This social control is practicable because exploitation in the United Arab Republic is curbed and individual profit is subordinated to collective good.

13. Superiority of Islamic Conception of Banking

The fact that modern banks are the creditors of industry adversely affects the economic health of the country. Naturally banks place their own interest above the interest of industry as they have no real share in it. Here it is tempting to note that the business of the capitalistic banks can be compared to the business of Shylock, the Jew. It may be argued that the modern banks collect idle savings and channelise them for productive purposes in lieu of a low rate of interest and thereby offer a great service to humanity. So one may say that there is nothing wrong in the working of a modern bank in an Islamic polity. But, unfortunately, the modern banks, like Shylock the Jew, think only in terms of their own interests as they are guided by profit-hunting motive. So the business men who take loans from the bank will be sued civilly and prosecuted criminally if they fail to pay interest even by incurring loss in business. Because I have already said that the modern banks place their own interest above the interest of industry as they have no real share in it. So banks

of our capitalistic economy encourage unhealthy investment during the boom. Depression is the logical outcome of unhealthy investment. Consequently, depression will be chronic. But banks in an Islamic State being partners in industry can never encourage unhealthy investment. So there is much less possibility of depression under the Islamic scheme. If depression takes place owing to some other reason, the Islamic banks are in a better position to face the situation than the capitalistic banks because the fixed rate of interest which retards the recovery of depression will not be allowed to exercise its tyrannical influence during the period of depression.

Banks being partners will share the loss and profit. But one point to be noted here is that there is little chance of loss in the Islamic system. For healthy investment, "keen business outlook and experience of the management of funds" will come in contact with industry. As a result of the happy marriage between finance and industry, the onward march of economic progress will continue. Industry will flourish and national income will increase. In his book *Islam and the Theory of Interest*, the same sentiment is expressed by Dr A. I. Qureshi, when he writes: "It must be borne in mind that if the country is to develop industrially the finance must be made to co-operate wholeheartedly on equal basis with industry. It must be on the basis of partnership with industry and not on mere payment of fixed interest. If the financier is a partner in industry his keen business outlook and experience of the management of funds is likely to stand in good stead and would lead to a better development of the industry."

Again, by maintaining the scheme of interest the modern bank is aggravating the problem of unemployment indirectly. A little reflection will enable us to understand this point. The capitalist or the business men will be reluctant to invest when the rate of return from investment is less than the current rate of interest. For instance, if the current rate of interest is 4% and money is invested, say, in irrigation works which indirectly yield only 3%, then, according to the capitalistic view, irrigation is unproductive. Money will not be invested in irrigation works, however useful these may be for society. The result is that the resources will remain unexploited. Consequently, the avenues

of employment will be smaller. Thus Keynes clearly admits that the rate of interest plays a peculiar part in setting a standard to the level of employment, since the marginal efficiency of capital itself is pulled down by the rate of interest. "The money rate of interest," he writes, "by setting the pace for all other commodity rates of interest, holds back investment in the production of these other commodities without being capable of stimulating investment for the production of money, which by hypothesis cannot be produced." Again, Lawrence R. Klein, in his book, *The Keynesian Revolution* (1950 edn.), even doubts the existence of positive rate of interest at the full employment stage in the following words :

A loanable-funds theory of interest should imply that regardless of the levels of other variables influencing savings and investment there should always exist a rate of interest which will equate savings and investment. The Keynesian theory shows that there do exist levels of other variables, namely, full employment, such that no positive rate will equate savings and investment.

But in the Islamic conception of banking there is no pre-determined notion of fixed interest, so it is expected that resources will be exploited in the best possible extent to cure unemployment.

Thus when Islam encourages partnership, it has allowed profit. Then what justification is there for not allowing interest on business loans? We should bear in mind that if there is any difference between shareholders and bond-holders in a joint-stock company there is certainly a fundamental difference between profit and interest. This needs no further elaboration.

Islam prohibits interest because interest has nothing to do in influencing the volume of saving because it makes depression chronic, because it aggravates the problem of unemployment, and, finally, because it encourages unequal distribution of wealth. The modern banks charge interest regardless of any loss or profit of the business men. It would, therefore, be seen that under capitalistic economy an organised attempt is being made to further the interests of the rich, thereby eliminating the possibility of establishing economic equilibrium in society. As against this

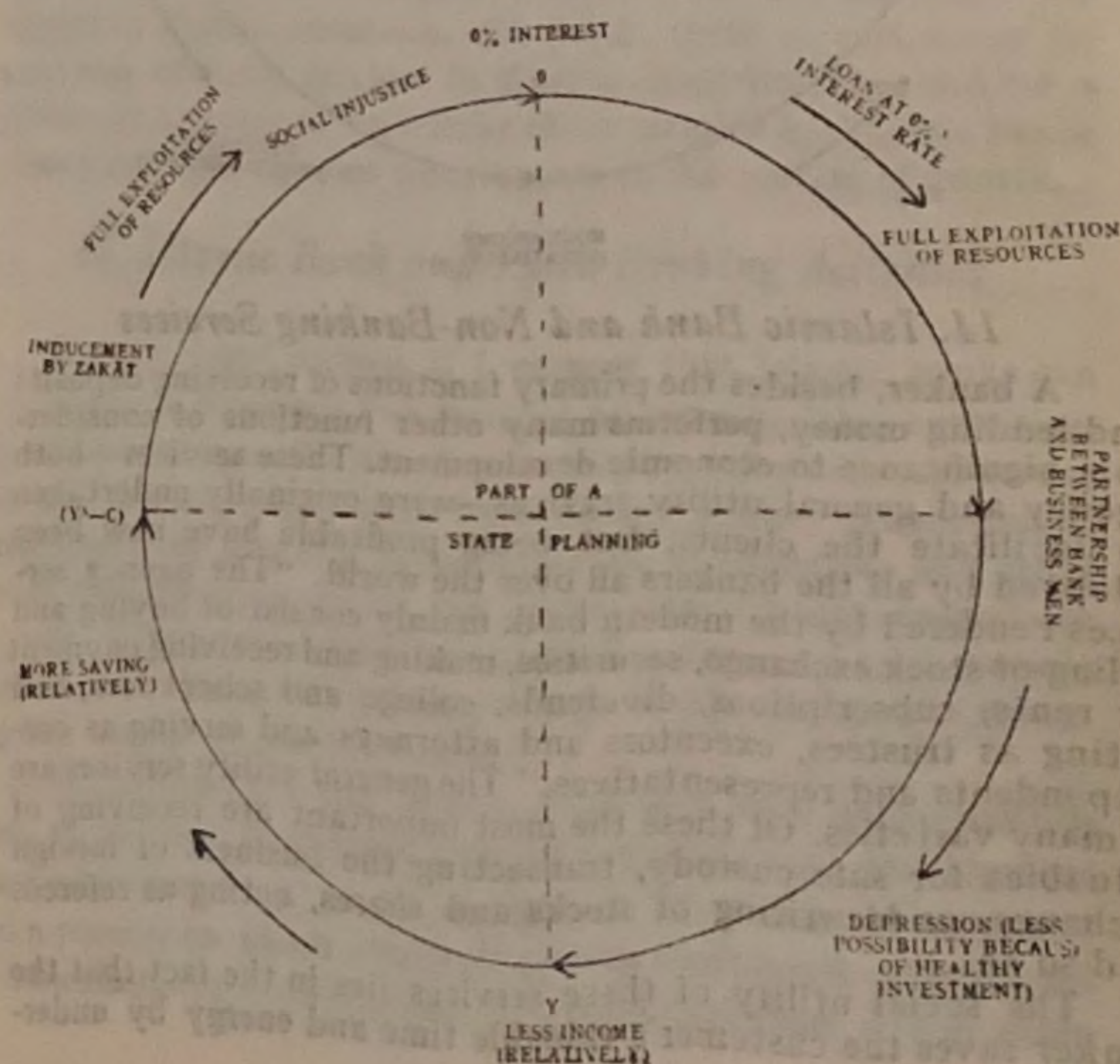
Islam has tried to bring economic equality in the State by imposing Zakāt on surplus funds.

The institution of Zakāt is an element in Islamic Socialism. Zakāt is, in fact, a tax which the rich have to pay towards the common welfare of the nation as a whole. It intends "to take wealth from the rich and to return it to the poor". In the light of such an explicit objective, Professor Pigou's cry of Welfare Economics on the basis of transference of wealth from the rich to the poor has nothing original in it. During Caliphate days, Zakāt was so comprehensive and broadbased that it not only produced socialistic redistribution of wealth but also tended to create a healthy non-capitalist frame of mind and an *esprit de corps*.

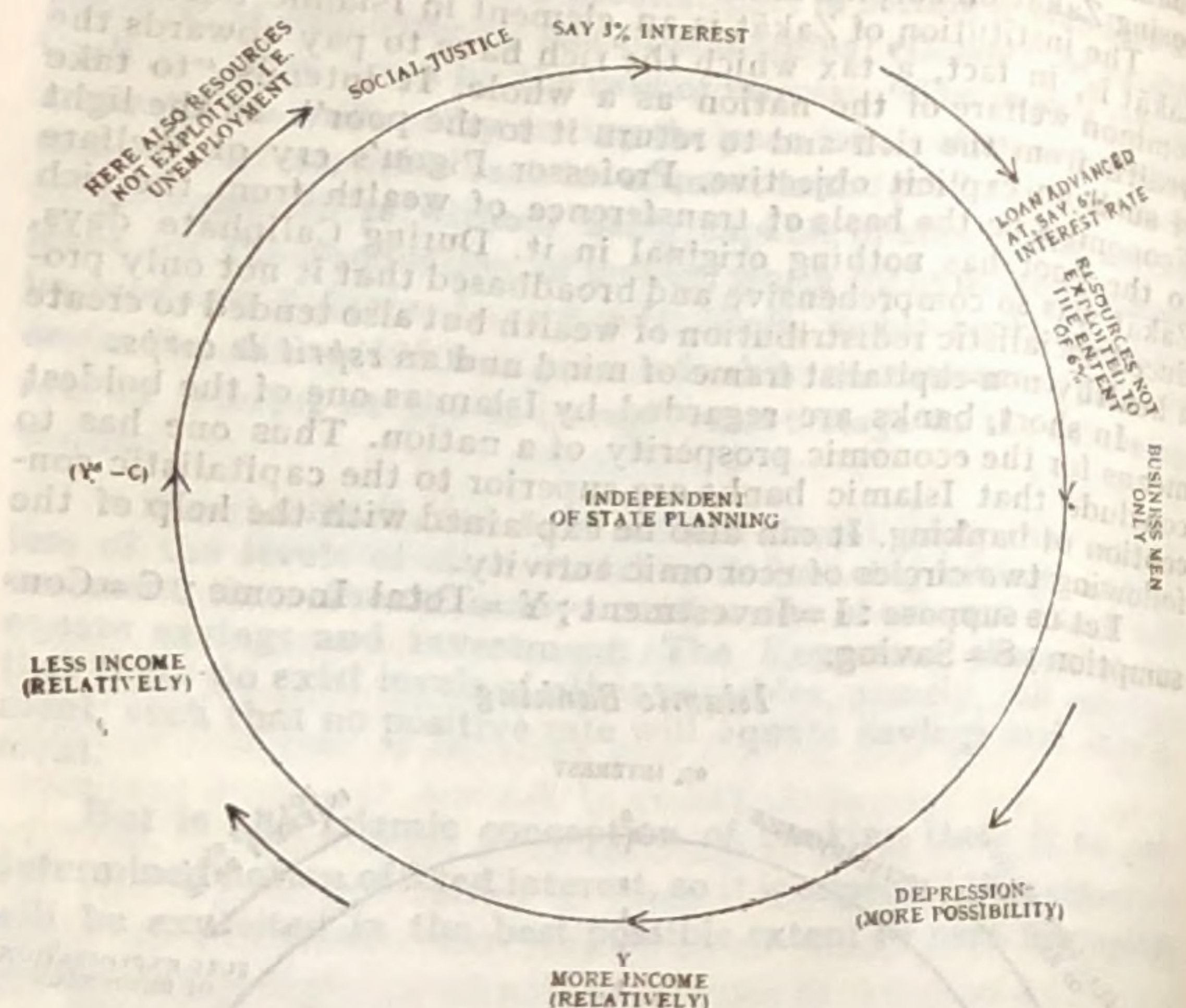
In short, banks are regarded by Islam as one of the boldest means for the economic prosperity of a nation. Thus one has to conclude that Islamic banks are superior to the capitalistic conception of banking. It can also be explained with the help of the following two circles of economic activity.

Let us suppose : I = Investment ; Y = Total Income ; C = Consumption ; S = Saving.

Islamic Banking



Modern Banking



14. Islamic Bank and Non-Banking Services

A banker, besides the primary functions of receiving deposits and lending money, performs many other functions of considerable significance to economic development. These services—both agency and general utility services—were originally undertaken to facilitate the clients, but being profitable have now been adopted by all the bankers all over the world. "The agency services rendered by the modern bank mainly consist of buying and selling of stock exchange, securities, making and receiving payment for rents, subscriptions, dividends, college and school fees, and acting as trustees, executors and attorneys and serving as correspondents and representatives." The general utility services are of many varieties. Of these the most important are receiving of valuables for safe custody, transacting the business of foreign exchange, underwriting of stocks and shares, acting as referees and so on.

The social utility of these services lies in the fact that the banker saves the customer's valuable time and energy by under-

taking these functions and the bankers not only enable their customers to have knowledge of the trends of business situations but enable them to have a deal with the parties concerned with dependable knowledge about general standing of contracting parties. The economic significance of these non-banking services lies in the fact that they can contribute both directly and indirectly in the process of growth, specially in under-developed countries—directly because the gains of the bank which it gets in the form of commission and the funds which it gets in performance of such services may be utilised for financing development programmes, and indirectly because by these services, specially by transacting the business of foreign exchange, it facilitates international trade and thereby helps in the fresh flow of capital from one place to another which, in turn, creates better conditions for investment.

These non-banking services, though so common in almost all the advanced countries like U.S.A., U.K., are not still very popular in Muslim countries. We think, there is vast scope for expansion of these services in Muslim countries. The need for a systematic attempt to undertake these services by Islamic banks arises from their obvious contribution to the process of growth.

15. Islamic Bank and Extra-Banking Activities

It may sound strange if I propose that Islamic banks can contribute to economic development by extra-banking activities. By extra-banking activities I mean participation of banks in the process of economic growth by investing modest proportion of their resources (say 5% of their profits) in education and other social overheads for which the banks may not get immediate returns. This is no doubt an unorthodox approach to the whole theory of banking. But the importance of this approach of thinking can hardly be overestimated.

We believe that the Islamic bank is a vital social institution, so it must have responsibility towards social development since education is a major component of social development and a process by which economic growth is achieved. Investment in education for development of human resources and in other

social overheads will go a long way in creating an automatism in economic growth. It may be that banks may not get any immediate returns and their contributions could well be decisive and lasting. Let us suppose that in a particular rural area where most of the people engaged in agriculture are illiterate and a bank is set up. Naturally, in such an area development of the bank is really a difficult task. Once a bank successfully invests a portion of its resources on schooling, in due course the invisible return which banks expect would be found in a change in the outlook of the people towards the standard of living and a consequent desire for growth. Increased productivity and development of banking habit are subordinate to the desire for growth. This is exactly what happened in U.S.S.R. immediately after the Socialist Revolution.

16. Islamic Bank and International Relations

Some Muslims who talk of philosophy, not of facts, and have no knowledge regarding the nature of international economics are of opinion that Islamic banking is impracticable, because it would isolate the Islamic State from the rest of the world, causing great loss in her international trade. But if it is possible for different nations of the world having different political and economic principles to live side by side, if it is possible for the U.S.A. and Yugoslavia or for U.S.S.R. and Arab countries to conclude trade treaties, I find no reason why the Islamic State would be isolated from the rest of the world. If, for example, Pakistan accepts the principles of an Islamic banking system, it would just be a matter of internal reorganisation of her economy just as in a federation the component units are given regional autonomy to solve their problems in accordance with their wishes without affecting the ultimate nature of the federation.

Secondly, far from causing loss in the international trade, Islamic banking would promote its volume. Because modern banks finance foreign trade by accepting and collecting bills of exchange drawn by customers, and by transacting other foreign exchange business on receiving some commission as remuneration for their services. But under the Islamic system banks would offer all these services without any remuneration because of their

partnership with the business men. Moreover, banks, being the partners of trade and commerce, would help the business men to avoid uneconomic speculation so that the demand for and supply of a commodity could be adjusted to bring economic prosperity to a country, nay, the world as a whole.

Lastly, the Islamic banking principles are quite consistent with international banking principles simply because the modern world, consciously or unconsciously, is drifting towards the economic philosophy of Islamic banking. This trend in world financial aid is recognised by the establishment of the International Development Association (I.D.A.) on 24 September 1960 as an affiliate of the International Bank for Reconstruction and Development (I.B.R.D.) or the World Bank. It has separate policies and separate financial resources from those of I.B.R.D. but its work is carried out by the secretariat of the I.B.R.D. The I.D.A. will start as a dissipating fund since it will provide loans even at zero rate of interest in exceptional cases depending upon political and economic factors in each recipient country.

It should be noted here that for financing our planning we must have to invite foreign capital on partnership basis. In case of our failure to secure foreign capital on partnership basis, we may take loans from abroad on payment of interest. With regard to my second point I am definitely entering into a controversy. One may differ with me but the fact remains that the Muslims cannot impose their religious injunctions on the non-Muslims, and this is obviously against the spirit of Islam. So if foreign exchange becomes absolutely essential, we are to take loans from abroad on payment of interest on a reciprocal basis. This is simply for our survival in this world of conflict and competition. We think it is permissible for the Islamic State to have interest transactions with non-Muslim States on the analogy of the action of the Caliph 'Umar, who permitted to levy customs duties and tolls on the articles of trade of a non-Muslim neighbouring State in reprisal to the same extent as were levied by the latter. For the proper handling of these matters, a special account of the banks may be opened or a separate agency may be established. As a matter of fact, Islamic banking is not a bar to our international relations.

17. Bait-ul-Māl and Modern Central Bank

The present discussion will remain incomplete without reference to Bait-ul-Māl; therefore, before analysing the role of the central bank in an Islamic State, an attempt may be made to discuss the functions of the Bait-ul-Māl as found in the history of early Islam. There is evidence to indicate that all the property belonging to the Muslims constituted a part of the Bait-ul-Māl regardless of its physical location. The Bait-ul-Māl was a very broad concept and was based on the faith that all suzerainty, inclusive of the right to property over the universe, belonged to Allah, man being His agent on the earth and possessing these things only temporarily.

The Bait-ul-Māls were of three types :

(a) Bait-ul-Māl al-Khāṣ.

(b) Bait-ul-Māl.

(c) Bait-ul-Māl al-Muslimīn.

(a) *Bait-ul-Māl al-Khāṣ*. This was the "royal treasury" or the privy purse, with its own sources of income and items of expenditure. It would cover the personal expenses of the Caliph, his palaces, harem, pensions of the members of the royal family, palace guards and gifts from the Caliphs to foreign princes.

(b) *Bait-ul-Māl*. Bait-ul-Māl was a sort of a State Bank for the Empire. This does not mean that it had all the functions of the present-day central banks, but that whatever of these functions did exist in their primitive forms were performed by it.

Because the Islamic State was highly centralised, both at the provincial and the central levels, administration of Bait-ul-Māl was always in the hands of one person. At the provincial level, the supreme head of the Bait-ul-Māl was the governor of the province. He was in charge of collection and administration of the revenue. These Bait-ul-Māls were situated at provincial headquarters.

The Central Bait-ul-Māl was situated at the capital of the Empire so that it could be under the direct control of the Caliph.

(c) *Bait-ul-Māl al-Muslimīn*. The second public treasury was called Bait-ul-Māl al-Muslimīn or the treasury of all the Muslims. In fact, it was not for the Muslims alone; its functions included

welfare of all the citizens of the Islamic State regardless of their caste, colour or creed. The functions of this Bait-ul-Māl consisted in public works, roads, bridges, mosques, churches, welfare and provision of the poor.

The Bait-ul-Māl was situated at the chief mosque and was administered by the Chief Qādī of the country at the central level and by the counterparts of this Qādī at the provincial level.

The following revenue items were to be deposited in the Bait-ul-Māl: (1) The Ṣadaqah or Zakāt revenue; (2) Ghanimah, i.e. war-booty; (3) Fai', i.e. Kharāj and Jizyah.

It was the duty of the Caliph to keep all these revenues apart from one another in the treasury because each had its own peculiarities and was to be administered according to its own set of rules.

Liabilities. Liabilities of the public treasury were of two kinds: (i) Liabilities incurred from property kept in the treasury for safe-keeping. (ii) The second type of liabilities were incurred with respect to revenues which were the treasury's own assets: (a) one part of these liabilities was incurred for value received, e.g. by way of compensation for the pay of the soldiers or price of arms and horses; (b) the other part consisted of the liabilities which had been incurred for the general interest or by way of assistance.

The Bait-ul-Māl, as we have seen, was the central bank. Apart from this, there were no commercial banks in the modern sense of the term. Most of the trade was carried on by individuals or in partnership but no evidence has been found to indicate the existence of large trading companies.

It appears that the Bait-ul-Māl used to meet all the needs and requirements of the then society. As a matter of fact the Bait-ul-Māl used to perform almost similar functions which the present-day central banks are doing except the issue of currency, supply of credit and control of interest rate. Issue of currency is a modern device and can easily be fitted in the functions of the Bait-ul-Māl, for even in these the rate of interest does not play any part in the performance of this function.

Again, there is no record to prove that Islam does not allow financing trade or industry on credit. Therefore, the Islamic

central bank will provide credit to its member banks by way of investment for sharing of profit or loss instead of providing them loans on a fixed rate of interest.

It follows that the central banking system under Islamic scheme of society will be simpler and easier than ever before because the Islamic central bank need not give too much emphasis on the quantitative control of credit, the control of credit by raising or lowering the bank rate, by engaging in open market operations and by varying the reserve ratios of member banks. The Islamic central bank will use all such means which do not involve the application of interest. In fact, experience has shown that quantitative control of credit cannot be effective in under-developed Muslim countries as their money markets are utterly imperfect. The Islamic central bank should give emphasis not merely on qualitative control of credit but also on moral suasion. Moral suasion, viewed as a method of credit control, is to free the unfavourable psychological reaction of the method of direct control; of course, it can be successfully employed only in countries possessing a comparatively small number of big banks with which the central bank is likely to develop intimate relationship. This healthy relationship between central banks and other banks and between central banks and the people would be quite possible in the Islamic scheme of society. Because the banking system as a whole will not act as a mere creditor of industry, trade and commerce, but also as an active partner of all types of possible economic activities. A central bank will, in such circumstances, be the people's bank and will act according to the best advantage of the community as a whole. This favourable psychological atmosphere will, I am sure, go a long way toward creating an environment where healthy investment will be possible and thereby reduce the possibilities of depression in the economy.

In modern States, the central bank generally acts as the bankers' bank. All other banks of the country keep, either by law or by custom, a certain amount of their balances with the central bank. The central bank is the ultimate holder of the reserves of the banking system and any bank can draw upon this pool to tide over temporary needs and difficulties by rediscounting first-class bills. These central banks are not only to act as the bankers of

the government but also as the custodian of credit and currency.

I find no reason why the Islamic central bank will not be in a position to perform all these functions without the application of interest in the name of co-operation, partnership and maximum welfare of the people.

The share capital of the Islamic central bank can be provided by the State or subscribed by the Government and the people jointly by floating shares. As the central bank has many important functions to perform, the control of the bank generally remains in the hands of the State or it can be managed by a board of directors jointly elected by the Government and the people.

18. The Case for Establishment of Muslim World Bank

Now is the time to examine the practicability and feasibility of founding a Muslim World Bank which is capable of pooling the resources of the world of Islam so as to foster a large-scale development efforts throughout the Muslim countries. The following positive and negative factors may be advanced in support of the formation of the proposed bank.

Positive Factors. The era of economic growth and political change in the past two decades has brought a marked increase in the demand for development capital. We have records to establish that in all Muslim countries the need for and ability to make effective use of outside capital have been increasing faster than the ability to service conventional loans. Some Muslim countries have already drawn close to the limit of the debt they can prudently assume on conventional terms. It is awareness of this problem which may lead to the founding of the Muslim World Bank. The primary purpose underlying the establishment of this proposed bank would be to create a supplementary source of development capital for Muslim countries whose balance of payments prospects would not justify their incurring or continuing to incur external debt entirely on conventional terms.

Now-a-days for exploitation of the vast natural resources of the Muslim States what is required is a huge public expenditure for which deficit financing is a must. For such economic growth

what is needed is co-operation among all the Muslim countries so that they may not be a victim to the exploitation of richer countries. The easiest way of achieving this co-operation is the founding of the Muslim World Bank on the model of the I.B.R.D. Not until the world of Islam has conquered poverty could we plan any manner of political homogeneity and social cohesion.

All the Muslims, despite their numerical strength and geographical distribution all over the world, are today, by and large, a poverty-stricken people—people who are mostly subject to exploitation. From Morocco to Indonesia and from Mauritania to Malaysia without exception all countries possess vast natural resources and rank amongst the world's most important growers of primary commodities and producers of mineral wealth. For instance, 80% of world's jute grows in Pakistan; Egypt is amongst the largest of the world's cotton growers. Three-fourths of world's supplies of oil come from the Arab world. Indonesia and Malaysia meet the world's major requirements of tin and rubber.

The one and perhaps the only institution which is capable of pooling the resources of the world of Islam is a Muslim World Bank which is yet to be formed for achieving a faster rate of development.

Negative Factors. Pan-Islamism will for long remain only an ideal, a dream to fire the imagination of the ardent sons of the faith, so as to bring about, in the fulfilment of our destinies, a spirit of ceaseless endeavour toward a more fruitful experiment of Islamic Socialism as prescribed by the Holy Qur'an.

The various Muslim lands have for centuries been subjected to differing political ideologies inspired mostly by the creeds and cults of the Western Powers who have for long dominated them. Some of these lands are still in a state of agitation and ferment.

"The differing and sometimes conflicting patterns of Islamic politics in different territorial demarcations have, however, been chiefly responsible for defeating some of the most earnest attempts made for a political unification of the Islamic countries in the nineteenth century. The most notable campaign in this field was that of the valiant crusader, Jamaluddin Afghani, whose mission, despite its failure in the larger context, succeeded in awakening the Muslims of the world to the necessity of attaining

national sovereignty as a priority objective. In the post-Jamaluddin era were born some very notable torchbearers of Islamic renaissance and amongst these lustrous luminaries were Mufti Mohammad Abduhu of Egypt, the Ali brothers of the Indo-Pak Sub-Continent, Allama Iqbal and Quaid-e-Azam, and the great Mujahid Syed Mohammad Amin-ul-Hussaini, the well-known Grand Mufti of Palestine."

It is true that a daring experiment is now under way in the shape of the R.C.D. Organisation. While this project is an excellent beginning it does not claim to attack the real and basic problems of the Muslim world as a whole, which today are largely economic.

Sometime ago there was even a talk of an Islamic Common Market on the model of European Common Market. "This is an immature project. In the world of today it is only the highly industrialised countries that can think of a common market. There is certainly no wisdom in planning an association of previously backward economies to compete with the vastly superior forces of the highly industrialised world of the West." In Pakistan, despite her marvellous progress in the field of development, *per capita* income and standard of living are about the world's lowest. Considering all these factors, it can safely be concluded that the formation of a Muslim World Bank is a practical proposal which does not involve much complications as are likely to be faced for achieving the goal of pan-Islamism or for the formulation of a Muslim Common Market. Once Muslim countries of the world are in a position to establish a bank like this, this would be treated as a distinct milestone on the road to full co-operation among the Muslim countries in the economic field. It would be, I am afraid, a tool for the orderly adjustment of exchange rates and for a two-way adjustment for any disequilibrium in the international balance of payments. At the end of the transitional period, this bank may promise to bring in an era of free multi-lateral convertibility of national currencies of various Muslim countries of the world.

Objectives and Functions. We have already pointed out that the prime objective of this bank would be to supplement the need for development capital of those Muslim countries whose

what is needed is co-operation among all the Muslim countries so that they may not be a victim to the exploitation of richer countries. The easiest way of achieving this co-operation is the founding of the Muslim World Bank on the model of the I.B.R.D. Not until the world of Islam has conquered poverty could we plan any manner of political homogeneity and social cohesion.

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Objectives and Functions. We have already pointed out that the prime objective of this bank would be to supplement the need for development capital of those Muslim countries whose

balance of payments would not justify external debt entirely on conventional terms. So far as this involves the use of the bank's own resources, it must be able to mobilise capital from a variety of capital-exporting countries. The main functions of the proposed bank would be :

- (a) to assist in the development of Muslim countries by facilitating the investment of capital for productive purposes.
- (b) to promote private foreign investment by means of guarantees or participation in loans and other investments made by private investors ;
- (c) to promote the long-range balanced growth of international trade and maintenance of an equilibrium into balance of payments by encouraging international investments for the development of productive resources of members ;
- (d) to arrange the loans guaranteed by, in relation to international loans, or through other channels so that the more useful and urgent projects can be dealt with first ;
- (e) to offer technical advice on matters relating to loan operations ; to locate experts qualified to deal with specific technical problems, for instance, with sulphur processing in Iraq, port administration in Turkey, pulp and paper manufacture in Pakistan ; and
- (f) to lend its good offices in seeking the settlement of economic disputes among Muslim countries as we find in the case of World Bank's settlement of water dispute between India and Pakistan in 1960.

Any other functions may be assigned to this proposed bank according to need and exigencies of time.

Membership and Resources. All the Muslim countries should be eligible for membership to this proposed bank. It is, perhaps, in the fitness of things to suggest that lead in this direction should come from Pakistan for the formation of such a bank and to enlist, in particular, the assistance and help of Iran, Iraq, Turkey, Kuwait, Jordan, Afghanistan, Saudi Arabia, Lebanon, Egypt, Tunisia, Sudan, Algeria, Malaysia, Indonesia, Tanzania, Somalia, to name only a few of the more influential members of the Muslim

world. The resources for the proposed bank should initially come from the member countries according to their means and strength to be supplemented by grants, aids and loans from the I.B.R.D., I.D.A., Asian Development Bank and other friendly governments. Like I.B.R.D., the capital subscription of this bank may be divided into three parts. Firstly, a certain proportion of the subscription (say 2% to 3%) of all members should be payable in gold or U.S. dollars so that they may be used freely by the bank in any of its operations. Secondly, 15% of such subscriptions may be payable in the currency of the subscribing member. Lastly, the remaining subscription may not be payable to the bank for lending but may be subject to call only if required by the bank to meet its obligations on borrowings or on loans guaranteed by it. This is just a broad principle subject to change according to the requirements of the time.

Let us now throw some light on its administration and management.

Administration and Management. The holy city of Mecca should be selected for its headquarters obviously for spiritual and psychological reasons. A Board of Governors and one alternate Governor might be appointed by each member. However, organisational structure of this proposed bank may be developed on the lines of other international financial institutions. The development credits of this bank would be interest-free but a service charge of 75% or 1% per annum, payable on the withdrawn and outstanding, may be made to meet this bank's administrative costs like I.D.A. It is not, however, intended that this Muslim World Bank Fund should be used to finance a project which could not satisfy normal criteria of economic and financial viability. The bank must make a general appraisal of the merits and priorities of the project or programme.

Anyway, before making a loan, the bank would satisfy itself that the borrowers, whether it be a government, an autonomous agency or a private corporation, will be able to service the debt.

We are quite sure that the principle of partnership which is quite applicable to the internal banking system may be applicable quite profitably to international banking. It is time that the world of Islam is awakened to the necessity of preparing to survive in

this highly competitive world largely on the basis of self-help and mutual assistance. Support for this proposal could gather momentum if high-level conferences were held in the capitals of the principal Muslim countries to exchange views. This bank will, if established, help solve the urgent and pressing problem of economic development in the Muslim world.

Here it is really gratifying to note that the Muslim Foreign Ministers' Conference, which ended its three-day session at Jeddah on 26 March 1970, had decided to establish a Secretariat with Jeddah as its provisional seat till the liberation of Jerusalem. The countries giving unqualified support to set up this Secretariat were Afghanistan, Guinea, Indonesia, Iran, Jordan, Kuwait, the Lebanon, Malaysia, Mauritania, Morocco, Niger, Saudi Arabia, Senegal, Somalia, Tunisia, and the Yemen. The functions of the Secretariat will be liaison between participating States and implementation of decisions taken by the Conference. The expenditure incurred on the management and functioning of the Secretariat will be borne by participating States. It was also decided to meet once a year for the purpose of discussing matters of common interest, to make recommendations on common action, to review progress achieved, to implement decisions. This is the first time in several hundred years that Muslim States have met in a conference and chalked out common plans for their problems. The Jeddah Conference will, I am sure, lead to the formation of a force distinct from both the capitalist and communist blocs—a bloc of Islamic nations—and it is hoped that the proposed Secretariat will take some positive steps to establish a bank for the Islamic nations.

19. Pakistan and Islamic Banking

At present Pakistan is a *Muslim State*, not an *Islamic State*. The capitalistic conception of modern banking is still functioning in Pakistan. In fact, Pakistan is suffering from a deadly cancer so far as the banking is concerned; surgical operation is the crying need of the hour. But before the successful operation of this disease a favourable condition will have to be created. So the following suggestions will, I believe, go a long way towards imple-

menting the Islamic scheme of banking in Pakistan.

(1) Before the end of the Perspective Plan (1965-85) the Central Bank of Pakistan should be nationalised. This nationalisation is necessary in order to bridge any conflict between fiscal policy and monetary policy. If fiscal policy remains in the hands of the Government and monetary policy in the hands of the Central Bank, the conflict is likely to emerge. But monetary policy cannot be successful unless it is supplemented by an appropriate fiscal policy. Suppose, in a country where the average propensity to consume is extremely low, either because of serious maladjustment of wealth or because of serious inequalities of income. An appropriate fiscal remedy through Zakāt is of vital importance. Moreover, the nature of functions performed by the central bank and the element of planning introduced in Pakistan have increased the importance of bringing the central bank under State management.

At the end of the prospective planning I also favour the complete nationalisation of commercial banking in Pakistan for bringing uniformity in policy, for exercising an effective control of the central bank over the joint-stock banks and for eliminating unhealthy competition among joint-stock banks. Moreover, nationalisation is of little value unless it makes the banking facilities wider and cheaper. As private banks are always motivated by consideration of profit, they will never be willing to open offices at places where the prospects of profit are small. Had there been little or no prospect of profit, for example, at Sirajganj (a small town in East Pakistan), there would have been no branches of commercial banks like Eastern Mercantile Bank. The practicability of my suggestion can hardly be challenged because in India, the central bank and insurance companies have been nationalised. Not only that, the Central Banks of England and Australia have been taken under State ownership. In France, not only the central bank but also the four commercial banks belong to the nation. In Czechoslovakia the banking system in general has been nationalised. In Spain also the banking system is going to be nationalised. I find no reason why such nationalisation would be ineffective in Pakistan in due course.

(2) At present commercial banks pay a certain rate of interest

on fixed or time deposits regardless of the fact whether the depositors want it or not. The Government should immediately issue a circular to the effect that the acceptance of interest should be left to the option of the depositors as we find in the case of Postal Savings in Pakistan. If this scheme is immediately introduced a good number of depositors would, I am sure, make their deposits free of interest. This would enable the banks to follow the "cheap money policy". Money is said to be cheap when the rate of interest is low.

(3) In the meantime with the help of eminent scholars of Islamic laws and economists, the rules of Zakāt collection should be framed and enforced tempered by the consideration of our socio-economic conditions. Because liberty of "Qiyās" (i.e. the free application of the principles) is recognised in Islam. Herein lies the key to the universality and eternal adaptability of the Islamic economy and its progress.

(4) Sincere attempts should be made to increase the technical personnel for running banking in Pakistan. The banking training scheme which has already been introduced by the State Bank of Pakistan is laudable but inadequate to meet the needs.

(5) After nationalisation along with comprehensive implementation of Zakāt and banking training scheme, banks should be the partners of industry and should not pay any interest to the depositors. The depositors of the bank may be sleeping or active partners of industry. But if any depositor is unwilling to be the partner of industry, to share the loss and profit, he may be allowed to keep his deposit in an idle form subject to the payment of Zakāt at the rate of $2\frac{1}{2}\%$ per annum.

If poverty of the masses cannot be removed by the revenue of Zakāt the State can demand more from those who can afford to give. There is a ḥadīth to this effect: "In wealth there is a due besides the Zakāt." This scheme of additional taxation is an additional blow to the hoarded wealth to provide social justice.

(6) The wholesale change of the age-old capitalistic system of banking cannot be brought about in a day. This might cause some maladjustments between different sectors of the economy. So it is advisable that the mechanism of Islamic banking may be evolved if it is started with new private banks by the people under

the proper patronage of the Government. Once they come into existence they will grow aiming at replacing the existing banking system in due course of time.

(7) A comprehensive State planning should be made for the ultimate abolition of interest from the body politic. We think, this system of Islamic banking is most harmoniously workable in Pakistan since it is a part of our faith never to think of waging a war against Allah and His Prophet. Islam seems to provide the best realisable synthesis of the two opposites; incentive to work is retained by recognising restricted private ownership of property unlike the economic planning of U.S.S.R. which has practically involved the liquidation of private enterprise and of private property, but perfectly socialistic effects are produced by providing compulsory distribution of excess of income and property. The structure of the Islamic economy is capitalistic in outline though restricted very largely by socialistic institutions.

So social scientists and economists would have to ponder over the practicability and feasibility of my suggestions for implementing the Islamic conception of banking in Pakistan by the end of 1985.

20. Summary and Conclusions

The Qur'ān prohibits the taking of "Ribā" which literally means "increase". But all increases are not prohibited in Islam. The Qur'ān has allowed increase from trade but not from the loan given to a debtor. The 'Ulamā', generally, have accepted that by al-Ribā is meant usury-interest which was in force in pre-Islamic Arabia. Still some people think that what Islam prohibits is usury and not interest. It is established beyond doubt that interest and usury are the obverse and reverse of the same coin.

(2) It is found by modern research that interest has nothing to do in influencing the value of savings. Practically, it is the rate of investment that determines the rate of saving. Islam prohibits interest but encourages investment. Again, we have seen that Zakāt provides a powerful stimulus for investing the idle funds. This stimulus gets momentum from the fact that Islam allows profit and sleeping partnership in which profit as well as loss is shared.

(3) The Islamic banking will be based on the principle of partnership. Therefore, this banking system which is free of interest can help establish certain institutions on the basis of *Mudārabah*, where capital and labour can be combined together as partners for work. Islam has tried to bring about a lasting compromise between labour and capital by giving the whole question of relationship a moral bent and by making moral obligations on each other as part of the faith. It is, therefore, quite possible to work out industrial, commercial and agricultural enterprise on the principle of *Mudārabah* combining the various units of production.

(4) After analysing the mechanism for Islamic banking, the problem of short-term and long-term financing was discussed. The short-term financing of industry, trade and agriculture can be made by the Islamic bank on partnership basis. Since the ordinary deposit bank has a special liquidity problem, it is recommended that the specialised credit institutions like industrial or agricultural development bank may be developed for long-term financing. Moreover, the Islamic bank may evolve the system of guarantee of loans for industries, working capital as well as for equipment. This guarantee may induce private capital to move into Muslim countries.

(5) Importance of consumption loan is recognised. But it is recommended that such loans may be made either by people's co-operative societies or by Government credit agency in the Islamic State against the deposit of evidence of fixed assets owned by the borrowers.

(6) As regards bank's relations with depositors and entrepreneurs it may be said that "a bank in relation to depositors has been considered the operator or business manager and the depositors deemed as capitalists. In relation to the entrepreneur, however, the bank be taken to be the capitalist and the latter the operators. In this case the conditions governing capitalist's rights and operator's obligations shall apply. Any profits realised by the entrepreneur, the operator in this case, shall be shared with the bank as the capitalist in the agreed proportions."

(7) The practicability of partnership between business men and bank can hardly be challenged. In U.A.R. an experiment in interest-free banking was launched some four years ago. It is

explained how this bank has now flowered into a flourishing institution.

(8) The superiority of the Islamic conception of banking over modern banking lies in the fact that Islam has eliminated the tyranny of interest. Islam has prohibited interest, because it has nothing to do in influencing the volume of saving because it makes depression chronic by retarding the process of recovery, because it aggravates unemployment problem and, finally, because it encourages unequal distribution of wealth.

(9) Besides performing other modern non-banking services like general utility services of various kinds it is proposed that the Islamic bank can contribute to economic development by extra-banking activities, by which we mean participation of banks in the process of economic growth by investing a modest proportion of their resources (say, 5% of their profits) in education and other social overheads for which the banks may not get immediate returns. But this is highly significant from the social point of view.

(10) We have explained that the *Bait-ul-Māl* established by early Islam used to perform almost similar functions which the present-day central banks are doing except the use of currency, supply of credit and control of interest. It is explained that functions of the Islamic central bank can easily be fitted in the functions of the *Bait-ul Māl* to meet the growing needs of Muslim countries. We are confident that the Islamic central bank can work without application of interest.

(11) For exploitation of vast natural resources the Muslim States from Morocco to Indonesia and from Mauritania to Malaysia possess what is required in a huge public expenditure for which deficit financing is a must. Since interest is prohibited on loans, it is proposed to establish a Muslim World Bank on the model of I.B.R.D. by pooling the resources of the Muslim world to be supplemented by grants and aids from other sources. Explaining the structure of this proposed bank, it is felt that Pakistan may take a lead in this direction.

Lastly, since Pakistan has come to fulfil a mission—a mission of achieving social justice based on the ideology of Islam—Pakistan has to adopt the Islamic conception of banking for which a number of suggestions like nationalisation of banking, full

implementation of Zakāt and comprehensive planning, etc., are made. Of course, Pakistan and the Muslim world cannot have a model of optimum growth unless all injunctions of the Qur'ān and the Sunnah work concurrently in the economic system. They have to act in concert. Any one injunction working in isolation will produce a lopsided state of affairs as is the case today in almost all the Muslim countries.

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Appendix to Chapter IX

SOME ECONOMIC RESOURCES OF THE MUSLIM WORLD

[The Muslim world is rich, not only from the standpoint of man-power and strategic position, but also from the viewpoint of economic resources. Though a great part of the Muslim world is still agricultural in character, yet there is an immense scope for exploitation of the vast agricultural and mineral resources the Muslim world has. The Muslim countries produce 70% of world's natural rubber, 52% of world's tin, 40% of world's jute, 93% of world's dates, 56% of palm-oil, 33% of copra, 10% of wheat, 14% of rice production and so on. The secretariat of the Motamar Al-alam al-Islami (World Muslim Congress) made an interesting study on the economic resources of the Muslim countries. The following extracts have been taken from the book *Some Economic Resources of the Muslim Countries*, prepared by the secretariat of the World Muslim Congress, published by Umma Publishing House Karachi.]

Barely Production

Barley is one of the five most important cereals. . . . Important barley-producing Muslim countries are Afghanistan, Iran, Iraq, Morocco, Syria and Turkey. The total barley production of twelve Muslim countries was 6,633,000 metric tons in 1961 which was 7.5% of the total world production (87,700,000 metric tons).

Turkey secures first position among the barley-producing Muslim countries where it is one of the two main crops besides wheat.

Cocoa Production

Cocoa is a stimulating beverage and a nutritious and delicious food, and is commonly used as chocolate. Four Muslim countries, viz. Cameroon, Indonesia, Nigeria and Sierra Leone, produce cocoa. The total production of these countries was 277,000 metric tons in 1961 which was 23.8% of the world production of 1,160,000 metric tons.

Coffee Production

Coffee is by far the most important single exportable commodity of a number of African countries.

Seven Muslim countries, viz. Cameroon, Dahomey, Guinea, Indonesia, Malaysia, Sierra Leone and Yemen, produced more than 5% of the world production of coffee in 1961-2 when it was 4,280 thousand metric tons.

Indonesia tops among the coffee-producing Muslim countries.

Copra Production

Copra (coconut) has the greatest commercial utilisation and use. In Indonesia, copra is used in more than three hundred ways. Six Muslim countries, viz. Indonesia, Malaysia, Maldives Islands, Nigeria, Pakistan and Zanzibar produced 29% of the world copra in 1961-2 (i.e. 3,600,000 metric tons). Indonesia tops among the copra-producing Muslim countries of the world. Her production was 759,000 tons in 1957-8, which increased by 69% in 1961-2.

Cotton Production

Twenty Muslim countries of the world, viz. Afghanistan, Algeria, Cameroon, Chad, Dahomey, Egypt, Indonesia, Iran, Iraq, Mali, Morocco, Niger, Nigeria, Pakistan, Saudi Arabia, Senegal, Somalia, Sudan, Syria and Turkey, produce a substantial amount of cotton. The total production of Muslim countries was 1,430,000 metric tons in 1960 which was 13% of the world production (11,000,000 metric tons). Egypt occupies the first position among the cotton-producing Muslim countries. Pakistan is the second biggest Muslim country and occupies eighth position in the world in cotton production.

Date Production

The world's total production of dates was 1,491 thousand metric tons in the year 1961-2 out of which 1,387 thousand metric tons were produced in the Muslim countries (i.e. 93%). Eleven

Muslim countries, viz. Algeria, Egypt, Iran, Iraq, Libya, Morocco, Nigeria, Pakistan, Saudi Arabia, Sudan and Tunisia, produce dates. Egypt ranks first among the date-producing countries of the world. She produced 479 thousand metric tons in 1961-2 which was 33% of world production.

Fish Catches

The total fish catches of Muslim countries were 1,775,000 metric tons in 1961, which exceeded by more than 131,000 metric tons over that of 1959. The total fish catches of the world were 41,160,000 metric tons in 1961 (Muslim countries 4.3% of the world).

Indonesia tops among the fish-catching Muslim countries. Pakistan comes second in fish-catching Muslim countries, where fish is an exportable item. Her total catch was more than 319,000 metric tons in 1961.

Groundnut Production

Seventeen Muslim countries of the world, viz. Cameroon, Dahomey, Egypt, Guinea, Indonesia, Lebanon, Mali, Niger, Nigeria, Pakistan, Senegal, Sierra Leone, Somalia, Sudan, Syria, Tanganyika and Turkey, produce groundnuts. The total production of these countries was 2,792,000 metric tons which increased to 3,380,000 metric tons in 1961-2 and this was 24% of the world production (14,100,000 metric tons).

Nigeria ranks first among the groundnuts-producing Muslim countries.

Jute Production

Pakistan tops the list of the jute producers of the world. Besides Pakistan a few other Muslim countries produce jute, viz. Egypt, Indonesia, Iran, Sudan and Turkey. The Muslim countries produced about 40% of the world's output of jute in 1960-1 when the world's total output was 2,420,000 metric tons.

In the year 1947, Pakistan alone produced 6,842,000 bales of jute which was about 80% of the world's output. But since

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then the acreage under jute cultivation in Pakistan was reduced except in 1951-2 due to the Korean War. Even though the production has decreased, Pakistan still has a monopoly in the best varieties of jute cultivation in the world. Jute is an important exportable item of Pakistan.

Livestock

In ancient as well as in modern times, livestock plays an important part in the economic structure of a country. As part of agricultural census of the world, many countries have undertaken a livestock census also and the preliminary results have been published by several countries. The total number of livestock in Muslim countries in 1960-1 was camels 4077 (39.2% of the world); goats 93,071 (26% of the world); asses 7214 (18.1% of the world); buffaloes 12,714 (12.5% of the world); sheep 113,275 (11.4% of the world); cattle 87,490 (9.3% of the world); horses 3764 (5.6% of the world) and mules 723 (4.5% of the world).

Turkey ranks first among the Muslim countries in the total number of livestock.

Maize Production

The total production of Muslim countries in 1961 was 6,465,000 metric tons, and the world production was 214,000,000 metric tons. Indonesia ranks first among the maize-producing Muslim countries. Egypt comes second; Turkey occupies the third position; Pakistan secures fourth position in maize production.

Millet and Sorghum Production

Millet is a name applied to a number of different species of cereals and grasses.

Twenty-two Muslim countries of the world, viz. Algeria, Cameroon, Dahomey, Egypt, Iran, Iraq, Jordan, Lebanon, Mali, Mauritania, Morocco, Nigeria, Pakistan, Saudi Arabia, Senegal, Sierra Leone, Sudan, Syria, Tanganyika, Tunisia and Turkey, produce millet and sorghum. The total production of these countries

Some Economic Resources of the Muslim World

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Natural Rubber

Natural rubber is a very important product of Nature. In its original form, it comes from a tree. Science has developed thousands of uses that make rubber one of man's most flexible servants.

Four Muslim countries of the world, viz. Cameroon, Indonesia, Malaysia and Nigeria, are the important producers of natural rubber. The total production of these countries was 1,491.3 thousand metric tons in 1961, i.e. more than 70% of the world's total produce (2,120 thousand metric tons).

Among the natural rubber-producing countries, Malaysia ranks first and Indonesia second.

Potato Production

Potato holds the first position in the volume of fresh food-crops and is grown in almost every country of the world, and is one of the greatest economic importance.

Twelve Muslim countries, viz. Albania, Algeria, Egypt, Iran, Iraq, Jordan, Libya, Morocco, Pakistan, Syria, Tunisia and Turkey, produce potatoes. The total production of these countries was 2,759,000 metric tons in 1961. The world production was 280,600,000 metric tons. Pakistan ranks second after Turkey.

Rice Production

Rice is the staple food of about 40% of the world population. The Indo-pak subcontinent and South-East Asia are said to be the oldest rice-growers.

Twenty-three Muslim countries of the world, viz. Albania, Algeria, Afghanistan, Cameroon, Dahomey, Egypt, Guinea, Indonesia, Iran, Iraq, Malaysia, Mali, Morocco, Nigeria, Pakistan, Saudi Arabia, Senegal, Sierra Leone, Syria, Tanganyika, Turkey

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and Zanzibar, produce rice. The total production of these countries in 1961 was 32,810,000 metric tons which was about 14% of the world production (242,500,000 metric tons).

Pakistan tops among the Muslim countries and secures second position in the world, excluding China Mainland, in rice production.

Spices

Spices are used in seasoning food, medicines, perfumery and cooking to add relish to the dishes. Muslim countries are quite rich in different spices. Indonesia, Iran, Kashmir, Nigeria, Pakistan, Sierra Leone, Malaysia and Zanzibar are the producers of spices.

Pepper

Among the spices, pepper is by far the most important. Indonesia produced 30% of the total world produce of pepper in 1959. Malaysia and Nigeria also produce pepper.

Sugar Beet Production

Sugar beet is more important than other types of beet. It has been used to produce a high content of sugar in its roots and high yield.

Six Muslim countries of the world, viz. Afghanistan, Albania, Algeria, Iran, Syria and Turkey, produce sugar beet. The total production of these countries was 3,681,000 metric tons in 1961-2 which was more than 2.2% of the world production (158,600,000 metric tons).

Turkey tops among the sugar-beet-producing Muslim countries.

Sugarcane Production

All the available evidences indicate that sugarcane originated in the Indo-Pak subcontinent.

Six Muslim countries, viz. Egypt, Indonesia, Malaysia,

Pakistan, Somalia and Syria, produce 7% of the world sugarcane. The total sugarcane production of the world was 415,760,000 metric tons in 1961-2.

Pakistan tops among the sugarcane-producing Muslim countries.

Tea Production

The two main types of tea are black tea and green tea. Botanically both are identical; the difference is in the curing.

Muslim countries comprising Indonesia, Iran, Malaysia, Pakistan and Turkey produced more than 10% of the world total tea in 1961. The total world production was 819,000 metric tons.

The production of tea in the Muslim countries in 1956 was 78.1 thousand metric tons which increased to 85.3 thousand metric tons by 1961.

Tobacco Production

Tobacco is the most common luxury of the world. As many as eighteen Muslim countries of the world, viz. Albania, Algeria, Mali, Niger, Nigeria, Pakistan, Syria, Tanganyika and Turkey, produce tobacco, and the total production of these countries in the year 1960 was 378,000 metric tons which was about 11% of the world production (3,630,000 metric tons).

Turkey, Pakistan and Indonesia are the chief producers of tobacco. Turkey is first among the Muslim countries and ranks fifth in the world, and is noted for some of the finest qualities of tobacco.

Wheat Production

Eighteen Muslim countries of the world, viz. Afghanistan, Albania, Algeria, Chad, Egypt, Iran, Iraq, Libya, Jordan, Mali, Morocco, Niger, Pakistan, Saudi Arabia, Sudan, Syria, Tunisia and Turkey, produce wheat. The total production of wheat of these countries was 23,140,000 metric tons in 1960 which was about 10% of the world production (244,800,000 metric tons).

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Muslim countries comprising Indonesia, Iran, Malaysia, Pakistan and Turkey produced more than 10% of the world total tea in 1961. The total world production was 819,000 metric tons. The production of tea in the Muslim countries in 1956 was 78.1 thousand metric tons which increased to 85.3 thousand metric tons by 1961.

Tobacco Production

Tobacco is the most common luxury of the world. As many as eighteen Muslim countries of the world, viz. Albania, Algeria, Mali, Niger, Nigeria, Pakistan, Syria, Tanganyika and Turkey, produce tobacco, and the total production of these countries in the year 1960 was 378,000 metric tons which was about 11% of the world production (3,630,000 metric tons).

Turkey, Pakistan and Indonesia are the chief producers of tobacco. Turkey is first among the Muslim countries and ranks fifth in the world, and is noted for some of the finest qualities of tobacco.

Wheat Production

Eighteen Muslim countries of the world, viz. Afghanistan, Albania, Algeria, Chad, Egypt, Iran, Iraq, Libya, Jordan, Mali, Morocco, Niger, Pakistan, Saudi Arabia, Sudan, Syria, Tunisia and Turkey, produce wheat. The total production of wheat of these countries was 23,140,000 metric tons in 1960 which was about 10% of the world production (244,800,000 metric tons).

Islamic Economics : Theory and Practice

Turkey tops among the Muslim countries and ranks sixth in the world in wheat production.

Pakistan secures second position among the Muslim countries.

Bauxite Production

Chemical industries are important consumers of bauxite. The ore is used in the manufacture of aluminium salts which are used in dyeing, printing, tanning, paper manufacture, water purification and have long been utilised for removing impurities in products of the petroleum industry.

Four Muslim countries, viz. Guinea, Indonesia, Malaysia, and Pakistan, are the main producers of bauxite and their total production was 2,861,000 metric tons in 1961 which was more than 11% of the world production of 25,870,000 metric tons.

Guinea occupies first position among the Muslim countries where production has been increasing tremendously.

Coal Production

Nine Muslim countries of the world, viz. Afghanistan, Algeria, Indonesia, Iran, Morocco, Nigeria, Pakistan, Tanganyika and Turkey, are the important producers of coal. The production of these countries was 6,603,000 metric tons in 1961 (world production was 1,942,400,000 metric tons).

Turkey tops among the Muslim countries. Pakistan secures second position among the Muslim countries.

Iron-Ore Production

Nine Muslim countries, viz. Algeria, Egypt, Iran, Malaysia, Morocco, Pakistan, Sieria Leone, Tunisa and Turkey, produce iron-ore. The geological departments of these countries are very much active in exploiting iron-ore deposits. The total production was 8,375,000 metric tons which was 3.6% of the world production in 1961.

Iron is the next important metal after tin for Malaysia, which ranks first in the Muslim countries producing iron-ore.

Some Economic Resources of the Muslim World

Natural Gas Production

The production of natural gas is increasing very speedily in the Muslim countries. Six Muslim countries produce natural gas so far, viz. Algeria, Indonesia, Iran, Iraq, Pakistan and Tunisia. The total production of these countries in 1958 was 3.60 thousand million cubic metres, and only after a very short period of three years, i.e. in 1961, the total production of natural gas increased to 5.4 thousand million cubic metres.

Muslim countries have tremendous reserves of natural gas. Recent discoveries of new reserves remain to be evaluated fully.

Petroleum Reserves

Petroleum, also called "Black Gold," is the most useful mineral oil used in the modern world. Muslim countries hold the biggest reserves of this very useful product. The total proved reserves of the Middle East, South Asia and the African Muslim countries come to 172,756 million barrels, i.e. 66% of the total proved reserves of both the hemispheres—East and West.

Phosphate Rock

Phosphate is used as a fertiliser and is consumed by chemical industries to convert it into phosphate chemicals.

The total production of phosphate rock of the Muslim countries was 11,000,000 metric tons in 1961 (which increased from the low figure of about 9,400,000 metric tons in 1955). This was 31% of the world production (35,600,000 metric tons).

Morocco is the third largest producer of phosphate rock in the world and occupies first position among the Muslim countries.

Salt Production

Salt occurs in the sea, in the crystalline form as rock salt and in natural brines. Its most abundant source is the ocean. Rock salt deposits occur in Pakistan and in Iran. Fifteen Muslim countries of the world, viz. Afghanistan, Algeria, Egypt, Indonesia, Iraq, Jordan, Lebanon, Morocco, Pakistan, Senegal, Sudan,

Syria, Tanganyika, Tunisia and Turkey, are the important producers of salt. The total production of these countries was 2,252,000 metric tons in 1961.

Egypt holds the first position in salt production.

Tin Production

Six Muslim countries, viz. Malaysia, Indonesia, Cameroon, Morocco, Niger and Nigeria, produced 83,650 metric tons of tin (i.e. 52% of the total world production in 1960 when it was 160,865 metric tons).

The highest output of the concentrate in Malaya occurred in 1956 with a production of 63,295 metric tons (i.e. 34% of the world output).

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Phosphate Rock

Phosphate is used as a fertiliser and is consumed by chemical industries to convert it into phosphate chemicals. The total production of phosphate rock of the Muslim countries was 15,000,000 metric tons in 1961 (which increased from the low figure of about 9,400,000 metric tons in 1952). This was 31% of the world production (32,600,000 metric tons). Morocco is the third largest producer of phosphate rock in the world and occupies first position among the Muslim countries.

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Chapter X

CONSUMPTION LOAN IN ISLAM

Consumption Loan : Its Principles and Mechanism

Whoever contracts a debt intending to repay it, Allah will pay it on his behalf, and whoever contracts a debt intending to waste it, Allah will bring him to ruin.

—*Prophet Muhammad* (be peace on him)
Thou shalt not give him the money upon usury, or lend him thy victuals for increase.

—*Old Testament, Lev., 25 : 37*

Consumption Loan : Its Principles and Mechanism

Public finance, it was argued, differs from private finance in one vital respect. Because, unlike State, the private individual has very little control over the size of his income; he is under necessity of adjusting his expenditure to his income and not the other way round. It was, of course, argued that the private individual can, within certain limits, adjust his income to his expenditure. So if more money is to be spent, more money can be found by lending and borrowing. Islam has recognised these as a necessary condition in human transactions with a difference. Thus difference arises partly because of introduction of the element of morality in taking consumption loan, partly because of the unique mechanisms an Islamic State should adopt for handling this type of loans.

If we carefully analyse the various injunctions of Islam we can easily derive the following four principles pertaining to consumption loan. They are (a) principle of genuineness, (b) principle to contract, (c) principle of payment, and (d) principle of help.

The principle of genuineness arises from the fact that taking loan without any valid reason is discouraged by the Prophet who is reported to have sought refuge from being in debt as well as from sin. 'Ā'ishah said : The Messenger of Allah (be peace on him) used to pray while saying prayer : "O Allah ! I seek refuge in Thee from sin and from being in debt." Someone asked him, "How often dost thou, O Messenger of Allah ! seek refuge from being in debt?" He said : "When a man is in debt he speaks and tells lies and he promises and breaks the promise" (Bukhārī, 43 : 10).

In fact, Islam recognises consumption loan for meeting the indispensable minimum wants, which are basically physiological in character. These wants fundamentally arise from the fact that man is not self-sufficient in himself. He requires food, shelter and clothing for his barest subsistence and he has to secure them by means of effort. This barest physiological minimum is not uniform for all persons in all countries and at all times. The minimum food requirements vary from person to person. Subject to this variation, one can go for loan for meeting one's basic

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In fact, Islam recognises consumption loan for meeting the indispensable minimum wants, which are basically physiological in character. These wants fundamentally arise from the fact that man is not self-sufficient in himself. He requires food, shelter and clothing for his barest subsistence and he has to secure them by means of effort. This barest physiological minimum is not uniform for all persons in all countries and at all times. The minimum food requirements vary from person to person. Subject to this variation, one can go for loan for meeting one's basic

requirements. But in modern times, there is a tendency to overshadow the physiological wants by psychological factors like snobbish imitation, exhibitionist impulses which determine the present-day physiological wants of most of the modern men. Islam does not recognise any consumption loan required for meeting such artificial wants.

This brings us to the discussion of the second principle, that is, the principle of contract which owes its origin to the Holy Qur'an which says: "When you deal with each other in contracting a debt for a fixed time, write it down. . . . Let him who owes the debt dictate" (ii. 282). That is, every act of lending and borrowing should be written down clearly not to the disadvantage of the debtor. The creditor should see that no injustice is being done to the debtor. If loan is taken on behalf of a minor, or of a person of unsound judgment, then his guardian or the persons representing his interests should dictate the terms of contract (ii. 283). The necessity of such contract arises because of the fact that they are "more likely to keep out of doubts and avoid future disputes". This principle of loan is equally applicable to both consumption and productive loans. Islam has also made provision for granting loans against proper security. Thus mortgaging of property as security for payment of debt is allowed and the mortgagee is allowed to derive benefit from it. Thus it is related on the authority of 'Ā'ishah that the Prophet (be peace on him) bought food from a Jew for payment to be made at an appointed time, and he mortgaged for it an iron coat-of-mail" (Bukhārī, 43 : 1).

Again, Abū Hurairah reported the Messenger of Allah (be peace on him) to have said: "The mortgaged animal may be used for riding when it is mortgaged on account of what is spent on it, and the milk of a milch animal may be drunk when it is mortgaged, and the expenditure shall be borne by him who rides (the animal) and drinks (the milk)" (Bukhārī, 48 : 4).

This ḥadīth shows that "when a person has to spend money on the thing mortgaged, he is entitled to derive benefit from it. Hence a house or land can be mortgaged subject to the condition that the possession shall be made over to the mortgagee who is entitled to live in the house or let it on hire, if he carries out the repairs, and to till the land and have the produce of it if he

spends on it."

Now we can pass on to the third principle governing the loan which is the principle of payment. It is gratifying to note that Islam always maintains a balance between opposite tendencies. While the creditor has been directed to guard against any injustice being done to the debtor, the debtor has also been directed to make every sincere effort to make payment of loan. It is related on the authority of Abū Hurairah that the Prophet (be peace on him) said: "Whoever contracts a debt intending to repay it, Allah will pay it on his behalf, and whoever contracts a debt intending to waste it, Allah will bring him ruin" (Bukhārī, 43 : 2).

In Islam, importance of payment of loan can hardly be over-estimated. Salāmat reported, "A bier was brought to the Prophet (be peace on him) that he may say funeral prayer over it. He said: 'Was he in debt?' They said, 'No.' So he said prayers over it. Another bier was brought to him and he said: 'Was he in debt?' They said 'Yes.' He said: 'Say prayers over your companion.' Abū Qatādah said, 'I will pay his debt, O Messenger of Allah!' So he said funeral prayers over it." The learned commentators are of opinion that the Prophet (be peace on him) did not forbid the saying of funeral prayers over the bier of a person who was in debt. By refusing to say prayers himself, he wanted only to discourage the habit of contracting debts which one had not the means to repay. As a matter of fact, Islam does not justify deferring payments without any valid reasons. Abū Hurairah reported: The Messenger of Allah (be peace on him) said: "Delaying the payment of debt by a well-to-do person is injustice" (Bukhārī 43 : 12). The Prophet is reported to have even said: "Deferring payment by one who has the means to pay legalises his punishment and his honour" (Bukhārī, 43 : 13). But the Welfare State of Islam is required to undertake both the maintenance of the uncared-for families and the payment of unpaid debts. It is related on the authority of Abū Hurairah: The Prophet said (be peace on him), "Whoever leaves property, it is for his heirs, and whoever leaves a burden, it shall be our charge."

The fourth principle governing loan, irrespective of productive and consumption loan, is the principle of help which owes its origin both to the Holy Qur'an and the Sunnah. This principle

of help must be understood in a comprehensive sense. Viewed positively, all types of loan in Islam are free of interest. "Allah has allowed trading and forbidden usury" (ii. 275). Because usury is anti-social, because it is a naked exploitation of a brother's need. That is why, it is laid down in the Holy Qur'an :

God will deprive
Usury of all blessing,
But will give increase
For deeds of charity (ii. 276).

Even today we find how a creditor nation holds a debtor nation in bondage through usurious loans: The debt-servicing problem which is going to be aggravated by the element of interest is bound to embitter international relations between developed and underdeveloped countries. We have records to prove that the huge loan negotiated between the U.S.A. and U.K. under the Bretton-woods Agreement is responsible for the deterioration of mutual relations, the cause being the interest charged by the creditor. Even the late Lord Keynes, the author of this agreement on behalf of England, expressed his deep regret over U.S.A.'s failure to grant an interest-free loan to U.K. Never was the wisdom of the prohibition of interest so loudly vindicated as in the Parliament of England when the Brettonwoods bill was under heavy fire. In Islam loans are to be in the nature of grants-in-aid and not commercial transactions. Jābir reported : The Messenger of Allah (be peace on him) cursed the usurer and the man who pays usury and the writer of the transaction and the two witnesses thereof, and he said : "They are alike" (Muslim and *Miskhāt*, 12 : 4).

In the Islamic State, it is presumed that the consumption loan shall be taken only to meet the genuine needs of the people. Therefore, if the debtor is in real difficulty, the payment of loan may be postponed ; even remission of debt is recommended in special extraordinary circumstances. The Holy Qur'an says :

And if the debtor is in straits, then let there be postponement until he is in ease ; and if you remit it as alms, it is better for you, if you knew (ii. 280).

But Islam has recommended taking of voluntary payment in excess of the principal sum of loan, because this is not interest. Jābir said, "I came to the Prophet (be peace on him) while he

was in the mosque, so he said : 'Say two rak'ahs of prayer.' And he owed me a debt, so he paid it to me and gave me more (than was due)" (Bukhārī, 43 : 7).

While recommending the remission of debt in special circumstances, genuine interest of the creditor is safeguarded. The modern practice of attaching the property of the insolvent is recognised in Islam. Thus Abū Hurairah said : The Messenger of Allah (be peace on him) said : "Whoever finds his property itself with a man who has become insolvent, he has a greater right to it than others" (Bukhārī, 43 : 14). Following the tradition of the Prophet (be peace on him), Ḥadrat 'Uthmān is reported to have decided that whoever takes his due before a man becomes insolvent it is his, and whoever recognises his property itself with an insolvent has a greater right to it" (Bukhārī, 43 : 14).

In brief, these are the principles governing the consumption loans in Islam. Now we are entering into the more difficult part of our discussion, that is, mechanism for consumption loans in an Islamic State. Because principles will remain principles if they are not translated into action, or if they are not made workable.

True, a peculiar kind of loan existed and it still does exist in all the Muslim countries which are called "Qard-i-Ḥasanah" the repayment of which was not imperative. The scope of this type of loan appears to be very limited because of its nature. But we have no evidence to indicate that there is a set mechanism for the implementation of the principles of consumption loans in an Islamic State. The fact is that the mechanism which may be applicable in one country may not be applicable in another country. Because what type of mechanism will be suited to a particular country depends upon the type of development that that country has achieved. The only condition is that the mechanism for the implementation of the principles of consumption loan must not come into conflict with expressed or implied injunctions of the Holy Qur'an and the Sunnah. Within this framework, I feel that the Islamic State may adopt any of the three or all the following three courses of action pertaining to handling various aspects of consumption loans :

- (a) through the creation of a network of consumers' co-operatives under the patronage of the State ;

- (b) through the Islamic Bank ; and
(c) through the establishment of a consumption credit fund by the Government.

(a) The best way of handling the problem of consumption loans is to establish a network of consumers' co-operatives on a no-profit-no-loss basis under the patronage of the State. The consumers' co-operatives will, after scrutinising the credit-worthiness of the prospective borrowers, allow the consumers to purchase goods at the market rate on credit up to a certain limit mutually agreed upon. This sale would obviously include a normal profit so that the establishment charges are met from such sale. This approach to the problem of consumers' loans stands justified from almost any angle of analysis. It is psychologically justified, because of the consumers' feeling that these co-operatives which are organised on a no-profit-no-loss basis are the result of their own co-operation. It is morally justified, because it enables the consumers to make purchases of the essential commodities to live on a human plane of existence and this, in turn, has proportionate relevancy to social values. It is economically justified, because selective and carefully assessed consumers' loans will stimulate productivity, not only in developed countries, but also on developing countries and thereby eliminating the modern element of interest in the process of consumption, production and distribution.

Coming to the side of the money aspect, these co-operatives may extend loans in terms of money under special circumstances. A certain percentage of reserve fund or contingency fund of such co-operatives may be set aside to meet the special type of consumption loans which may not be carried on a massive basis in view of the obvious scarcity of resources of such co-operatives; such consumers' co-operatives are in a better position to implement this loan policy because they are very much in the know of the needs of the borrowers.

(b) The problem of consumption loans can also be handled through Islamic banks at least in two ways. Firstly, the bank may advance loans to consumers against proper securities out of a part of the reserve fund created mainly from the deposits of such depositors who will not like to take any portion of profit on their deposits from the bank. Because, these people will generally make

deposits with the bank simply for security reasons just as the locker system is available with the modern bank where people do keep their jewellerys, important documents and the like on payment of a certain amount of fees. Such transactions can be carried on a no-profit-no-loss basis. It is, of course, implied that the bank must be entitled to recover the establishment and administrative charges from the borrowers to meet the servicing expenses of the loans.

These service charges will obviously vary from person to person and from locality to locality depending upon the nature and amount of the loans.

Secondly, since the bank in an Islamic State will have to act as an active partner in various agricultural and industrial projects I find no harm if banks in Islamic States run a network of consumers' stores which may be organised on commercial lines. From such stores prospective genuine borrowers may be allowed to purchase goods up to a certain limit on credit. Credit ration cards may be issued after proper investigation pertaining to credit-worthiness of such borrowers. Apart from the normal profits which a bank is expected to earn from a normal transaction, such banks must be empowered to recover a percentage of culculated service charges. This suggestion may sound strange to persons who are obsessed by the capitalistic concept of banking. The type of bank we propose for an Islamic State may not find its counterpart in the capitalistic framework of society. The fact is that the concept of banking in the Islamic State is altogether different from the type of present-day banking which is essentially a concept of capitalistic banking. If the Islamic concept of banking is translated into action in order to handle the problem of consumption loans it may be one of the effective means of increasing the purchasing power of the consumers which will, in its turn, stimulate production and supply, and they will provide more employment and productivity in the community. It may be noted here that in a developing Muslim country, consumption loans policy must be selective and must not be haphazard.

(c) Finally, consumption loans may be granted by Government out of Consumption Credit Fund created through small contribution of a Government (say, 2% to 2½%) from revenue surplus a

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Government is expected to have after meeting all non-development expenditures. In respect of consumption loans Government must act as a lender of the last resort. This Government loan may be of two types : one can be tied consumption loan where prospective borrowers will be required to purchase goods from a predetermined list of home-made goods. This policy of tied consumption loan can be related to the policy of protection of infant industry. The other type of loan can be an untied consumption loan where the prospective borrowers may be allowed to exercise their reason and judgment in spending the loan. What type of consumption loan, tied or untied, an Islamic State would encourage depends on the nature of development and availability of resources. It goes without saying that this credit policy can be carried out on payment of nominal service charges and also be insured against the risk of default and non-payment with the insurance companies.

Since the be-all and the end-all of every Islamic State is to achieve the goal of Welfare State, we need not be surprised to see the creation of Consumption Credit Fund by the Government. In fact, "it will prevent the people from going into the hands of loan sharks, and this will keep the society healthy and free from the usurious evils " Even in a capitalistic social framework, the Government does provide many welfare facilities like social security scheme, old-age pension, running charitable hospitals, awarding scholarships to poor and talented students and so on.

The conclusion that ideally emerges is that the consumption loans policy of the Islamic State must include all the three measures already mentioned, because none of these complex mechanisms can substitute the others or provide the maximum effect, if pursued alone. From the Islamic standpoint, the fundamental justification for all these measures lies in the fact that if these measures are properly implemented, they may go a long way in furnishing a strong motive for mutual co-operation and help—a basic element of an Islamic social framework. The Holy Qur'ān says: "Help one another in righteousness and virtue but help not one another in sin and transgression." The Prophet (be peace on him) is also reported to have said : "If a person occupies himself in helping his brother, God occupies Himself in helping him."

Chapter XI

SOME ASPECTS OF PUBLIC FINANCE IN ISLAM

1. Tax Structure in Early Islam

- (a) Zakāt
- (b) Jizyah
- (c) Kharāj or Land-Tax
- (d) Spoils of War
- (e) Tax on Mines and Treasure-Trove
- (f) Customs Duties and Tolls

2. Zakāt

- (a) Its Meaning for Modern Man
- (b) Zakāt on Industrial Machinery
- (c) Zakāt on Bank Notes, Etc.
- (d) Zakāt on Rent, Profits, Etc.
- (e) Zakāt and Modern Muslim States

3. Conclusion

Appendix—Some Reflections on Fiscal System of Pakistan

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—*al-Qur'ān*, (ix. 60)

Riches should be taken from the rich and returned to the poor.
—*Prophet Muhammad* (be peace on him)

3. Conclusion Appendix—Some Reflections on Fiscal System of Pakistan

Public finance, according to the traditional definition of the subject, deals with the financial problems pertaining to revenues, expenditure and debts of public authorities, in contradistinction to private finance which deals with the income and expenditure of private individuals. In the words of Bastable, "Public finance deals with expenditure and income of public authorities or the State and their mutual relation, as also with the financial administration and control." Here we shall confine our analysis to public revenues as they existed in early Islam. In this connection we would also like to examine Zakāt in the context of contemporary thinking.

1. Tax Structure in Early Islam

It is not correct to say that fiscal system in early Islam falls into two classes of religious and secular revenue as maintained wrongly by Nicolas P. Aghnides in his work *Mohammedan Theories of Finance*. The very fact that Zakāt is collected from the Muslims and the Jizyah from the non-Muslims does not imply that Zakāt is a religious tax and the Jizyah and Kharāj secular taxes, because the Islamic State is not a secular State in the modern sense of the term. A State which recognises the sovereignty of Allah can hardly make a clear-cut distinction between religious and temporal affairs of life. Universal morality is combined with secularism in a manner that they are the obverse and the reverse of the same coin. This is also true in the case of collection of revenue in an Islamic State.

Secondly, unlike secular States the Islamic State does make religion as a basis for imposing taxes on the public. Thus, like Zakāt, Kharāj and Jizyah have also the sanction of either Qur'ānic injunction or the Prophet's Sunnah behind them and thus the imposition of these taxes is evidently an act of religiousness from the point of view of an Islamic State. The Islamic State is composed of two kinds of citizens, namely, Muslims and non-Muslims, and as such different kinds of taxes are levied on them.

Lastly, this difference in treatment in respect of collection of revenue is an artificial one in the sense that the purpose behind all taxes in an Islamic State is one and the same, that is, motivated

The alms are only for the poor and the needy, and those who collect them, those whose hearts are to be reconciled and to free the captives and the debtors and for the cause of Allah, and (for) the wayfarers ; a duty imposed by Allah, Allah is Knower, Wise.

—*al-Qur'ān*, (ix. 60)

Riches should be taken from the rich and returned to the poor.

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by the welfare of the people, no matter whether they are Muslims or non-Muslims, the Islamic State can impose taxes on the public. The oppression of minority in any form is condemned in Islam, because the minority is a sacred trust in an Islamic State. It is, therefore, a futile effort to make any distinction between religious and secular revenue, in an Islamic State. This fact must be kept in view in understanding the tax structure of early Islam in its correct perspective.

With these few words I would like to pass on to various sources of revenue of the early Islamic State.

(a) *Zakāt*. The prime source of revenue for any Islamic State is *Zakāt*, which is also one of the five basic tenets of Islam. Next to prayer it is the most important of the religious duties enjoined on the Muslims. Hence *Zakāt* assumes a religious sanctity which is not matched by any mode of public finance anywhere else, so much so that the first Pious Caliph made war upon those tribes who refused to pay it.

The *Zakāt* affects the various kinds of possessions which are hoarded wealth, agricultural produce (tithe), tax on capital (animals), etc.

These things are liable to tax only when they reach a certain minimum value called *Niṣāb* which varies for each item. It is Rs. 40 in case of cash money, in case of silver the *Niṣāb* is 206 dirhams or 52½ tolas. In case of gold, it is 20 mithqāls or 7½ tolas, etc.

Without going into every detail of *Zakāt* (I shall discuss *Zakāt* in a greater detail later on) it becomes apparent that *Zakāt* in its various forms virtually constituted a general property tax as it exhausted all the kinds of property then existing. Unlike modern taxes, the rules of collecting *Zakāt* are so simple that no specialised knowledge is required. With respect to collection, the most important point to emphasise is the distinction between apparent and non-apparent property. While the *Zakāt* on apparent property, namely, animals and agricultural produce, is collected and disbursed by the State, the *Zakāt* on non-apparent property, namely, gold and silver and articles of trade, is disbursed to the beneficiaries of *Zakāt* directly by the owners themselves. The *Zakāt* on non-apparent property came under State control only in

so far as the owners passed with it by the public collectors stationed on public roads ('Ashirs).

The operation of this ideal tax can wipe out the glaring inequalities of wealth and will bring about its gradual redistribution and also help considerably in curbing inflationary tendencies. Apart from erratic increase of currency in the country, paucity of goods and velocity of money, the false and unequal distribution of wealth generates inflationary tendencies and makes the market uneasy. The correct handling of this tax can gradually bring about the required equilibrium.

(b) *Jizyah*. The next source of revenue was *Jizyah*—a tax which was imposed on the non-Muslims in lieu of the guarantee extended to them by an Islamic State for the protection of their lives, properties, religious rites and for their exemption from military service. Such non-Muslims whose lives and properties are guaranteed are called "Dhimmīs". There is a lot of controversy over the imposition of *Jizyah* on the non-Muslims. Some say that *Jizyah* levied on the Dhimmīs is a rental for residing in the Muslim State and some say that it is taken from the Dhimmīs as a punishment for their disbelief in order to humiliate them and thus it is said that during the process of payment they were rebuked in these words: "Oh Dhimmīs," or "Oh enemies of God! pay the *Jizyah*."

But if we go deep into the problem it can easily be established that all these criticisms are not valid. It is quite uncharitable to treat *Jizyah* as rental on the part of the Dhimmīs for residing in the Muslim State. Had it been so, it should also have been imposed upon the children, women, insane and old people. But they were not liable to pay this tax. It follows that the welfare of the people is the basic consideration behind imposing of *Jizyah* upon the non-Muslims. Moreover, it was not a repressive tax. This is supported by Aghnides in the *Mohammedan Theories of Finance* when he writes: "The *Jizyah* is imposed by the Imam upon the population of a district conquered by force of arms. The yearly rate for the rich is forty-eight dirhams, i.e. four dirhams per month, for the middle class half of this sum, and for the poor who can earn their living, one-fourth of this sum. The above is based on the precedents of the Caliph Omar, Othman and Ali, the other

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Companions having approved of their action. In other words, it is based on ijma. There is no Zahir-al-riwayah report concerning the meaning of the terms rich, middle class and poor, but in the commentary of al-Tahawi it is stated that the person who owns 10,000 dirhams and upwards is rich, the person owning from 200 upwards is middle class, and finally the person owning less than that is poor."

Again, it is incorrect to say that Jizyah was some sort of a punishment. No doubt, the collection of the Jizyah is based on the divine words: "Make war upon such of those to whom a Scripture has been given, as do not believe in God, nor in the Last day—until they pay by their hands the Jizyah in order to be humiliated" (ix 29). Here the Qur'anic word *Ṣāghirūn* (humiliation) simply means "submission" for two reasons: firstly, old men, women and children were exempted from the payment of Jizyah, secondly, the use of force for imposing religious belief on others is clearly prohibited in the Holy Book. Therefore, I agree with al-Shāfi'ī who, "on the strength of the opinions held by a number of people of knowledge (*ilm*), concludes that the humiliation referred to in the Quran consists in the submission of the infidels to Muslim rule (*hukm al-Islam*), and that consequently people may not be admitted into the status of *Zimmis* except on condition of submission to Muslim law."

"According to the most extreme view quoted by al-Adawī, the humiliation of the *Zimmis* is necessary in order to demonstrate their inborn hatred of the Moslems, their refutation of the Prophet, and the fact that if they had the power they would exterminate the Moslems gradually."

However, the Qur'anic reference to "humiliation" must not be understood in the sense used in course of our ordinary business of life. The rashness in the treatment of the *Dhimmīs* during the process of collection is obviously against the spirit of Islam. The whole problem of imposition of Jizyah must be understood in its historical perspective. In the primitive socio-economic set-up the imposition of Jizyah was possibly the best choice. Because it is consistent with the principles of natural justice. Every subject of the State must pay his due for the maintenance of internal security and preventing external invasion. Taxing the

Muslims (in the form of *Zakāt*) to the exclusion of non-Muslims is, perhaps, against natural justice. In fact, the spirit of Islam is faithfully reflected in the imposition of Jizyah over the *Dhimmīs*. Thus Caliph 'Umar's general Abū 'Uбайдah is reported to have ordered the Governor of Syria to refund the Jizyah as the Muslim army was not confident of defending the *Dhimmīs* of Syria against the Roman attack. Again, we have evidence to prove that in many cases the children of *Dhimmīs* was given monetary help from the treasury.

(c) *Kharāj or Land-Tax*. By *Kharāj* we mean a kind of tax imposed on lands mainly conquered by the force of arms irrespective of whether the owner is a minor or an adult, free or slave, Muslim or infidel. The method of collecting *Kharāj* is divided into two kinds: proportional *Kharāj* (*Muqāsimah*) and the fixed *Kharāj* (*Wazīfah*). The proportional *Kharāj* pertains to a portion of the produce like one-half or one-third of the same. On the contrary, fixed *Kharāj* is a specific charge on the land at so much of natural produce or money per unit area. The proportional *Kharāj* is generally collected after one single crop while the fixed *Kharāj* becomes due on the expiry of one year.

In the case of fixed *Kharāj*, the rates that were fixed by the Caliph 'Umar on the lands of Sawād are generally considered final, but if there is any point where the precedent of 'Umar is not available, the tax-bearing capacity will be the standard for imposing a tax. The maximum tax-bearing capacity has been fixed at one-half of the produce.

Al-Māwardī discusses as follows the factors which determine the tax-bearing capacity (*ṭāqah*) of land. The person who assesses the *Kharāj* on a piece of land should consider the capacity of land which varies according to three factors, each factor affecting the amount of *Kharāj* more or less. "One of these factors pertaining to the land itself is the quality of the land by virtue of which the crop grown on it is rich, or the defect which causes the produce to be small. The second factor relates to the kind of crop, since grains and fruits vary in price, some fetching a higher price than the others, and *Kharāj* must, therefore, be assessed accordingly. The third factor pertains to the method of irrigation, for the crop that has been irrigated with water carried on the back of beasts

or raised by water-wheel, cannot stand the same rate of Kharāj which could be charged on land watered by running water or rain."

So long as land continues to remain the same with regard to its method of irrigation and advantage, the tax is neither increased nor decreased. If, however, the change in the method of irrigation is due to a natural factor and is to the disadvantage of the cultivator, the State should undertake the repairs and no Kharāj is chargeable for the period the land remains uncultivable. On the contrary, in case of permanent change in the method of irrigation which results to the advantage of the land, the State may or may not increase the rate of Kharāj. No Kharāj is charged if the entire crop is destroyed by factors beyond the control of the owner. Even if one is unable to pay the tax, one is given time till one's finances improve. But if anyone has any mala fide intention not to pay the Kharāj he is also forced to pay the tax. Thus we see that Kharāj tax is not only progressive but also flexible in nature. It is quite consistent with the modern canons of taxation. The modern practice of granting exemption of tax in special and deserving cases and of attaching the property of the cultivator in the event of his failure to pay the taxes appear to have owed its origin to the actual administration of Kharāj tax.

(d) *Spoils of War*. The spoils of war were one of the diminishing sources of revenue of the Islamic State. This revenue went on increasing during the expansionist period of Islam, because, technically, it meant property taken by force from infidels during war. Before the advent of Islam the victorious army or tribal chiefs used to keep the entire booty obtained in a war. But Islam gradually brought about a change in the mental outlook of the Muslim army. Islam restricted the claim of the conquering army to four-fifths of the entire proceeds keeping one-fifth of the spoils for the benefit of the community. It is based on the Qur'ānic verse, "Whatever spoils fall into your hands, one-fifth thereof is for Allah, the Prophet, his relations, the orphans, the poor and the wayfarers" (viii 41).

"This was followed in the lifetime of the Prophet. After his death the Caliph Abū Bakr and after him the Caliph 'Umar divided the one-fifth of the booty into three shares, namely, the parts for orphans, the indigent and the wayfarers. The later

Caliphs also followed this practice, which implies that the share of the Prophet and his relatives lapsed on the death of the Prophet."

The relatives, however, are entitled to a share in so far as they belong to one of the above classes and in that case they are given precedence over the rest. This is the Hanafite view which is in accordance with and based on the Caliph 'Umar's practice. A great majority of Muslim jurists are not inclined to accept the Shāfi'ite view that the descendants of the Prophet should be gathered together to have their share divided among them. We are rather prepared to accept al-Shāfi'i's contention that the share of the Prophet should go to the Imām inasmuch as the Prophet took in his lifetime in order to use it for the strengthening of Islam.

However, the dynamism of Islamic law and financial administration is amply illustrated by the momentous decision of the Caliph 'Umar regarding the restoration of the land of Sawād to the original owners. The Caliph 'Umar's letter to Sa'd bin Abī Waqqāṣ says: "You urge in your letter that whatever lands and other property God has given you in booty should be distributed. On receipt of my letter you should distribute all the chattels including animals among the army after deducting one-fifth provided the booty has been obtained after actual warfare, and allow the lands and the camels to remain in the hands of the original owners so that they may be used in support of the allowances of the Muslims. If you distribute (the latter) among the present generation, there would be nothing left for the posterity."

The Shāfi'ites object to making a present of lands to the original owners when the lands have been conquered by force on the ground that, like chattels, they are a booty of war and consequently the property of the soldiers. The Hanafites reply that "the exercise of option by the Imām in this case is only in accordance with the interests of the Muslims, for if he distributed these lands among the soldiers they would settle down on them in order to cultivate them and so they would stay from the holy war and their enemy would then return to charge against the Muslims. Moreover, the Muslims are often ill-adapted to agriculture. Consequently, if the lands are returned to the unbelievers who are more familiar with this art, and are made subject to pay-

ment of Kharāj, the Muslims can devote their time to the holy war. Furthermore, there is no prejudice in this for the soldiers' interests, for, although, in the case of distribution, the benefits are more immediate, in the other case they are more persistent. Then, too, future generations also have a right in these lands, and should the lands be distributed among the victorious army, future Muslims would have been wronged."

The basic fact which can be derived from the above analysis is that without changing the basic objectives of achieving social justice through taxation, details of Islamic law governing the tax system may be changed keeping in view the requirements of the age. Thus the modern method of confiscating the spoils of war by the State may be justified if they are spent for the benefit of the community. The circumstances which compelled the distribution of the spoils of war among the conquering Muslim army are no longer in existence. At present soldiers all over the Muslim world are provided with regular scales of pay and other connected modern amenities of life. Thus for the proper understanding of the spirit of the Qur'ānic law reason and judgment will have to play a crucial part in the future scheme of Islamic social set-up. In my view, the keynote to future Islamic public finance would be dynamism and flexibility.

(e) *Tax on Mines and Treasure-Trove.* There is disagreement on the nature of the tax imposed on mines and treasure-trove. According to the Shāfi'ites and Hanbalites, this tax is considered as "Zakāt while the Hanafites regard it as a case of spoils". However without entering into the controversy, we can discuss it as a source of revenue. If a mine which is solid and which may be melted and admit of imprint like gold, silver, iron, etc., and a treasure-trove are discovered in the land of the Muslims, they are bound to surrender one-fifth to the State to meet the needs of social justice. But today, in view of the importance of mines and treasure-trove all mines are nationalised.

Now the basic question which we are required to answer is whether the modern trend toward nationalisation of mines is justified from the Islamic standpoint. The door of Ijtihād is never closed in Islam. Therefore, what was justified during the early period of Islam may not be so justified due to change of time and

circumstances. Mining as a separate branch of human knowledge is of recent origin. So is the growth of cartel type of business and joint-stock companies. The exploitation of mines has, therefore, become a very profitable proposition. If private individuals are allowed to enjoy its benefit, it will certainly lead to accumulation of wealth in a few hands and consequent exploitation of society by a few individuals. Since this is against the spirit of the Qur'ānic Law, the modern system of nationalisation of mines and treasure-trove is justified provided the earnings from mines are spent for the benefit of the community as a whole. Here the following Hadith is worth quoting: "It is reported by Abyad Ma'aribī that he went to the Prophet and requested for the grant of the salt lake at Ma'arib. The Prophet granted the request but just then one of those present observed that it was a salt-treasure which was being granted to the man. On knowing the truth of the matter, the Prophet refused to grant it to Abyad."

Thus we see that the State has every right to exploit the mineral resources for the benefit of the society. During the early period of Islam the exploitation of mineral resources was confined to mere scratching the surface and was not a source of huge profit which might result in the creation of a multimillionaire class and, therefore, individuals were allowed to work out the mines. But the situation has altogether changed in view of the circumstances already stated. But we are not prepared to accept a complete nationalisation of mineral resources to the utter neglect of individual rights. The Islamic State must make provision for proper and due compensation if mines are found out in private lands. What is proper and due compensation is always relative to the needs of the community and is to be decided keeping in view the inconvenience and distress of the inhabitants.

(f) *Customs Duties and Tolls.* The conception of customs duties and tolls took a practical shape during the reign of the Caliph 'Umar who appointed 'Ashīrs and instructed them to collect from Muslim traders $2\frac{1}{2}\%$, from Dhimmīs 5% and from Harbīs of a non-Muslim neighbouring State in reprisal to the same extent as were levied by the latter.

The difference in the rate of customs duties and tolls that were levied on the Muslims and those levied on the Dhimmīs

"owing to the fact that they need protection from robbers more than the Muslims. Unlike the Muslims, who must pay the zakat of their trade articles whether or not they pass an ashir the Zimmis are subject to this toll of five per cent only in so far as they come under the jurisdiction of an ashir by travelling for trade. This difference is due to the fact that while the tax collected by the ashirs from Muslims consists in their zakat dues, the one collected from the Zimmis is in reality only an octroi duty. Except for these two differences the Zimmis are treated like the Muslims in every respect."

The Harbī traders come under existing taxing power of the Muslim State, because the Harbīs during their sojourn in Muslim territory enjoy the protection of the Muslim State. But with respect to the rate of the tax the principle of reprisal holds true only in a restricted sense. Because if the Harbīs are collecting as a tax from Muslim traders the whole of their property, the 'Ashir does not collect the whole of the Harbīs' property but leaves with them enough to enable them to return home, because they will need it for food and satisfying other wants, and because the property, being little, does not need protection from robbers.

If, finally, the Harbīs collect no tax from Muslim traders, then likewise the 'Ashir does not collect a tax from the Harbīs, for the fact that they have given up their oppression (i.e. collecting taxes from Muslims) while they have the power. This is, on their part, an expression of favour toward us, but we (i.e. Muslims) are more fit to be possessed with virtues than the Harbīs. The children and women of the Harbīs are exempt from tax on condition that similar treatment is accorded to Muslims by the Harbīs (N P. Aghnides, p. 319).

Now, the question arises as to whether the modern system of customs duties and tolls is consistent with the spirit of Islam, specially when they are, both in its scope and objectives, vastly different from that prevailed during early Islam. From the standpoint of universal brotherhood of Islam it may not be justified to have artificial barriers in the field of international trade, because basically Islam believes in one humanity and hence in free trade. But viewed from the standpoint of survival of a poor but developing Muslim State, the modern system of customs

duties and tariff will stand to reason. In my view, the Islamic State is perfectly within its rights to impose any amount of customs duties provided that these revenue receipts are used for the benefit of the community as a whole and that any of its objectives may not encourage the growth of monopoly or the like.

The above-mentioned taxes were the major heads of revenue during the early period of Islam. Other taxes on public sector are not of that importance. Public sector is that land becomes the property of the State if its owner dies intestate or the land or property is found unclaimed. Again, another source of income was the Waqf property which refers voluntary transfer by an individual of his ownership to the ownership of the State for the benefit of the community. The first Waqf of immovable property was executed by the Caliph 'Umar and the precedent has been followed generally throughout the ages by the Muslims. The Qur'ānic verses: "Who will give loan to Allah, a good loan" and "You cannot attain to righteousness unless you spend what is dear to you" have been a great incentive for Waqf.

Even in modern times Waqf property is a source of revenue for many Muslim States. Since this revenue is a 'loan to Allah' as such they should not be mixed up with general revenue of the State spending of which may not be always justified. In my view, Waqf revenue should be spent somewhat on lines similar to heads of expenditure of Zakāt revenue. There are some other taxes which were imposed by Muslim rulers. Since they are mostly extra-Shari'ah, they could not become part of the Islamic financial system.

It is a verdict of history that the Abbasid period saw the culmination of several taxes introduced during the time of the Prophet. The peace and economic prosperity that prevailed during the period of Islamic history is indicative of the fact that the financial system was quite sound and practical. The very fact that the tax structure of early Islam was elastic and dynamic is a great lesson for the modern economic experts and financial wizards. The modern fiscal system has faced the great problem of evasion of taxes which was practically absent during the early period of the Muslim rule. What is needed is to imbue the Muslim community with Islamic teachings in a manner that they think

of paying taxes as a religious and moral duty. This is a challenge which an Islamic State like Pakistan must accept. Mere lip respect to our great Islamic teachings is not an answer to our problems.

2. Zakāt

(a) *Its Meaning for Modern Man.* The word "Zakāt" means "that which purifies" and "that which fosters". "All original sources of wealth—the sun, the moon, the stars, the earth, the clouds that bring rain, the winds that drive the clouds and carry the pollen, all phenomena of Nature—are the gifts of God to the whole of mankind. Wealth is produced by the application of man's skill and labour to the resources which God has provided for man's subsistence and comfort and over part of which man enjoys proprietary rights, to the extent recognised by Islam. In the wealth that is produced, therefore, three parties are entitled to share: the workman whether skilled or unskilled; the person who supplies the capital; and the community as representing mankind. The community's share in produced wealth is called the Zakāt. After this has been set aside for the benefit of the community, the rest is 'purified' and may be divided between the remaining parties that are entitled to share in it."

Zakāt is the pivot and hub of the Islamic public finance. It covers moral, social and economic spheres. In the moral sphere Zakāt washes away greed and acquisitiveness of the rich. In the social sphere Zakāt acts as a unique measure vouchsafed by Islam to abolish poverty from the society by making the rich alive to the social responsibilities they have. In the economic sphere Zakāt prevents the morbid accumulation of wealth in a few hands and to diffuse it before it assumes threatening proportions in the hands of its possessors, as it is a compulsory contribution of the Muslims to the State exchequer.

The term "Zakāt" has no malevolent connotation as all other secular taxes of today have. At least at twenty different places in the Holy Qur'ān there is an association of Zakāt with Ṣalāt (prayers). Thus the Qur'ān categorically states that whoever wants to enter the brotherhood of Islam shall have to establish regular prayers and pay Zakāt regularly. Both the practices

are equally fundamental in importance. Zakāt is barren if it does not spring from a prayerful mood when there is no trace or taint of selfishness; Ṣalāt (prayer) is fruitless if it does not bring about the mood and temper of voluntary submission to the demands and dictates of genuine social welfare. This dynamic interplay of these two spiritual and secular institutions in Islamic society is symbolic of inner unity of religion and economics. As the moral fervour behind the Zakāt institution is derived from the perennial spiritual source of Ṣalāt, its social and economic effects are wholesome and the social pattern that emerges is free from the hideous tyrannies of Capitalism and the coercive standardisation of the communistic society. It was this all-pervading social harmony that led H.G. Wells, in his *The Outline of History* (p. 325), to remark: "Islam has created a society more free from widespread cruelty and social oppression than any society had ever been in the world before."

In fact, equal stress on Zakāt and Ṣalāt signifies the true progress in Islamic society. Thus Dr R.R. Marett rightly observed, "Real progress is progress in charity, all other advances being secondary thereto." Aldous Huxley writes in the same strain: "Such is the world in which we find ourselves—a world which, judged by the only acceptable criterion of progress, is manifestly in regression. Technological advance is rapid. But without progress, in charity, technological advance is useless. Indeed, it is worse than useless. Technological progress has merely provided us with more efficient means for going back on words." The importance of Zakāt can, therefore, hardly be overestimated.

Six Principles. If one carefully observes the rules and regulations governing Zakāt one may easily find out six principles of the Shari'ah governing Zakāt. They are: (a) the principle of faith, (b) the principle of equity, (c) the principle of productivity or maturity, (d) the principle of reason, (e) the principle of convenience and (f) the principle of freedom.

The first principle governing Zakāt is the principle of faith in Islam. Because the payment of Zakāt is an act of worship and as such only a true believer can perform it in its real sense and spirit. In several verses of the Holy Qur'ān Allah enjoins Ṣalāt (prayer) and Zakāt on those who believe in Islam for their

spiritual and secular advancement. For instance, the Qur'ān says:

And establish regular Prayer
And give regular Charity;
And loan to God
A Beautiful Loan (lxxiii : 20)

Once Ḥaḍrat Abū Bakr in a public address on the obligatoriness of Zakāt and its inseparableness from Ṣalāt went so far as to say: "By God, I will wage war against those who discriminate between Ṣalāt and Zakāt."

The second principle of equity governing Zakāt is contained in the saying of the Prophet (be peace on him): "In (the product of) land, watered by rain and springs or in what is watered by water running on the surface of the ground is one-tenth, and (in) what is watered by wells one-twentieth" (Bukhārī, 24 : 55). Zakāt is one generic term applicable to all ordinary compulsory contributions and the share of the State in various kinds of income such as treasure-trove, booty obtained in religious warfare, land produce, etc., follow the principle of equity which states that the lesser the amount of labour and capital, the lesser the rate of the levy. (S.A. Siddiqi, *Public Finance in Islam*.)

The third principle is the principle of productivity or maturity. Thus Ibn 'Umar said: The Messenger of Allah (be peace on him) reported: "Whoever acquires wealth, there is Zakāt on it until a year has passed over it" (Tirmidhī and *Mishkāt*, 6). Thus Zakāt is paid annually after calculating Niṣāb. Niṣāb means annual minimum surplus of the value of Rs. 40 or property equivalent in value to it over necessary expenditure. Niṣāb becomes subject to Zakāt only when it is mature and productive. But the Niṣāb will be dissolved on the date of the sale during a year and the first year must elapse before the amount realised becomes subject to Zakāt. The lapse of a period of twelve months is essential because time is indispensable for productivity to materialise. Obviously, Zakāt is not charged on things which are perishable and are meant for personal use and consumption (i.e. residential houses, clothes, etc.). It may be noted that the Niṣāb is different with different kinds of property and is also reckoned differently. For instance, in the case of Ṣawā'im (animals) Zakāt attaches to their physical identity and not to their commercial value as in

the case of merchandise. In the case of gold and silver, Zakāt is determined in terms of weight. But whether the property is apparent or non-apparent, Zakāt will not be charged if the Niṣāb is destroyed accidentally after the lapse of the year but before the Zakāt is actually paid.

Zakāt lapses on death and apostasy. If the death of the property-owner occurred during a year, a year must be elapsed before Zakāt is charged on the property.

The fourth principle is the principle of reason. That is, the person who is to pay Zakāt must be a man of reason and responsibility. Hence the view that minors and the insane are exempt from Zakāt which is regarded as an act of worship and, therefore, incumbent only on those who are capable of exercising discretion. But, according to the Mālikites (especially in the case of cattle and crops) and also according to al-Shāfi'i, minors and the insane are subject to Zakāt. The basis of their contention is that Zakāt is a tax on property. Hence it is realisable, though the property may belong to minors or the insane. In the writer's opinion, minors and the insane may be subject to Zakāt only when their properties are under the care of such guardians as are expected to utilise their property in the most reasonable way. Where there is a possibility of losing the minor's property through lack of care, it should not be subject to Zakāt. The Tradition is clear about it. The Prophet (be peace on him) is reported to have said: "Beware! whoever is the guardian of an orphan who has property, should trade with it and should not have it (undeveloped), so that the Zakāt should consume it" (Tirmidhī, 5 : 15).

The fifth principle of convenience of Zakāt is derived partly from the nature of collection of Zakāt and partly from the Islamic code of economic ethics. As regards collection of Zakāt there is nothing more convenient than what is paid at the end of a year. Besides this, the converted Muslims who are in a non-Muslim State are not held responsible for the payment of Zakāt. It is not unlikely that a man who gives up his own religion and embraces Islam should suddenly find himself deprived of all means of livelihood. This change-over may wreck his business and may even ruin his civic life. Thus he is free from the payment of Zakāt, rather his maintenance is a justifiable charge on the

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Zakāt money.

The last principle of Zakāt is the principle of freedom. That is, one must be a free man before one is eligible for payment of Zakāt. Therefore, a slave or a captive is not required to pay Zakāt as he is not supposed to own any property. In fact, a slave is entitled to some pecuniary help from Zakāt money which he might use to secure emancipation. Now-a-days when slavery is extinct, persons who undergo imprisonment may be placed in the category of those who are not considered to be free men and their innocent dependants may get Zakāt revenue.

All these principles governing payment of Zakāt should be reflected not only in its traditional basis of assessment but also in the modern basis of the assessment of Zakāt.

Traditional Basis. The doctors of conventional law generally divided property into four categories on which Zakāt was to be applicable.

The first category was gold and silver and the profits of trade. Here the Zakāt levied was $2\frac{1}{2}\%$. The taxable limit is the possession by an individual, for a continuous period of one year, of $52\frac{1}{2}\%$ tolas of silver or $7\frac{1}{2}$ tolas of gold. As a matter of fact, after deducting Niṣāb and debt, all idle wealth is taxed at the rate of $2\frac{1}{2}\%$.

The second category of property was cattle and other domestic animals. The percentage of Zakāt was approximately the same as in the case of the first category.

The third category was agricultural and farming produce and the proportion of Zakāt was assessed at one-tenth in regard to land irrigated by natural means (e.g. rain) without any extra effort by the owner and one-twentieth in the case of land irrigated by artificial means and requiring extra effort on the part of the owner.

The fourth category was mines and treasure-trove. If a mine or a treasure-trove is discovered in the land of a Muslim, one fifth of it, irrespective of whether they are owned by individuals or by the State, should form Zakāt revenue to be spent exclusively on the items mentioned in the Qur'ān. It must be noted here that property which is subjected to Zakāt must be that which is in excess of the basic needs of the owner and of what is required for

his bare livelihood. Let us now discuss in some detail the modern basis of assessment of Zakāt revenue.

Modern Basis. The modern controversy in regard to Zakāt is on the meaning of the term "property" referred to in the verses of the Qur'ān. The Qur'ān says: "Take alms out of their property—thou wouldst cleanse them and purify them thereby—and pray for them. Surely the prayer is a relief to them. And God is Hearing, Knowing" (ix. 103); "The parable of those who spend their property in the way of God is as the parable of a grain growing seven ears, in every ear a hundred grains. And God multiplies further for whom He pleases. And God is Giving, Knowing" (ii. 261).

The categories of property defined in the early days of Islam on which Zakāt is to be applicable should not, in the writer's opinion, be rigidly maintained. The modern basis of assessment of Zakāt has been carefully studied by a group of eminent Islamic jurists.

The Arab League held a seminar on this subject, and a comprehensive Report on social solidarity in the Arab world was presented to a meeting held in Damascus in December 1962. The Report was prepared by Shaikh Muḥammad Abū Zahrah, Shaikh 'Abd al-Wahhāb Khallāf of the Faculty of the Shari'ah at the University of Cairo, and Shaikh 'Abd al-Rahmān Ḥasan of al-Azhar University.

In this Report, to which frequent reference would be made, the view is held that Zakāt would now be due on all kinds of property not known in the early days of Islam. Such things as industrial machinery, bank notes, profits of professions and trades would now be subject to Zakāt.

(b) *Zakat on Industrial Machinery, Etc.* On this subject, the Report says: "The application of this distinction in our time leads us inevitably to add to the category of property liable to Zakāt property which is now considered productive and which was not known to be productive at the time when the jurists originally formulated their theories on the subject. Where property is a means of exploitation for its owner, or where the owner of a big factory employs labour to run it and utilises industrial machinery as the means of bringing about profit, the property would be

considered productive for the purpose of Zakāt and a charge made upon it. Here the gain which the owner of the factory secures comes from the industrial machinery he uses, and this machinery is not in the same category as the tools of the blacksmith or the carpenter who alone uses the tools and without whom there would be no production from the tools. For this reason Zakāt should be levied on this kind of industrial property on the ground that it is productive property and not in the category of property needed for the basic requirements of the person owning the property. The jurists of old order did not impose Zakāt upon industrial implements because these implements were of a primitive nature and were not of themselves productive, as is the case at present. Production from industrial implements can be possible only through their use by the worker. Now, however, machines produce more or less by themselves, and can be considered in the category of productive goods for the purposes of Zakāt. Modern factories consider their industrial machinery as their growing asset. But it must be pointed out here that tools owned by a craftsman and used solely by him, such as the tools of a hairdresser who works alone, should be exempt from Zakāt because they would be the basic and essential requirements for the craftsman without which he cannot purchase anything. And it cannot be said here that this view is contrary to the views of the old jurists, for the simple reason that the old jurists did not know of this problem and could not have made any reasonable pronouncement in regard to it. We are merely applying the basic theories which the old jurists have devised on the subject."

The Report discussed the rate of the Zakāt to be levied on industrial machinery and similar property, and came to the conclusion that it would be 10% of its net produce, by analogy to Zakāt levied on the produce of agricultural property.

So far as the imposition of Zakāt on industrial machinery and factory produce is concerned, I agree entirely with the views expressed in the Report, but with regard to the rate of Zakāt on industrial machinery, etc., I cannot see eye to eye with it on the following grounds. Firstly, the analogy of agricultural produce is not altogether apt, because the rate of depreciation is greater in the case of industrial machinery than in that of agricultural land.

The rate of Zakāt must thus be assessed after making due allowance for depreciation. Obviously, the rate of Zakāt will in this case be lower than that on agricultural produce. Secondly, here the question of the rate of Zakāt is linked up with productivity which varies from industry to industry. It is, therefore, felt that the rate of Zakāt on industrial machinery and factory produce should be made flexible so that the element of progressivity may be introduced in fixing the rate of Zakāt.

(c) *Zakāt on Bank Notes, Etc.* The Report also dealt with the question of Zakāt in regard to bank notes and other forms of currency and bills of exchange, such as stocks, shares and bonds. These, of course, were not known in the early days of Islam. The Report says: "Stocks, shares and bonds, if acquired for the purpose of trade and gain, are dealt with as commodities liable to the payment of Zakāt. For this purpose the value of the stocks, shares and bonds is taken at the beginning of the year, and Zakāt charged on the profit or gain secured. The jurists of old would agree with this. And where the stocks, shares and bonds are acquired for investment, Zakāt would be payable on the profit or dividend obtained from the investment." This view is subject to criticism on the ground that it has combined stocks and shares, on the one hand, and bonds, on the other, and devised the same rules to apply to all the three. Stocks and shares give a dividend which varies from year to year, and this is a permissible profit according to the Shari'ah, while bonds may be contrary to the Shari'ah and more like usury and illicit profit.

(d) *Zakāt on Rent, Profits, Etc.* On the question of the rate of Zakāt on rent derived from houses and other accommodation, the Report says: "The majority of the jurists are known not to have agreed that Zakāt is chargeable on houses. The reason is that houses at the time were not exploited for commercial purposes but were used primarily by the owner, and were thus essential and basic needs. . . . Things are different now, and houses and other property are built for the purpose of investment and for letting to others and the return on houses is now higher than the return that can be expected on land. With the changed situation, the public interest requires that Zakāt should be charged on houses in the same way as it was, in the past, charged on land."

There is no difference in reality between the owner of land who lets it out to others to farm and then collects a return on it, and the owner of houses who lets them and collects a return. It would be utterly unreasonable to charge tax on land but not on houses in such a case, and this would also be an injustice to the owners of agricultural land. Another result of this would be that people would give up ownership of agricultural land in preference to the ownership of buildings. The Shari'ah cannot be said to make such an illogical rule. The difference between us and the jurists of old is not a difference as regards theories but as regards the application of the theories. In their days buildings were not exploited for profit, as they are now."

Though the learned jurists are inclined to recommend that the rate of Zakāt on bank notes as well as rents, etc., should be 2.5%, yet I am for flexibility in determining the rate of Zakāt. That is, in such cases the rate of Zakāt should be fixed tempered by consideration of productivity and profitability.

Inflation. Now I would draw attention of the jurists to the modern problem of inflation and its impact on the rate of Zakāt. What is inflation? By inflation is meant a rise in the general level of prices usually on account of an increase in the supply of money, unaccompanied by a corresponding increase in demand. Thus, according to Professor Pigou, "Inflation exists when money income is expanding more than in proportion to income-earning activity," resulting in rise in prices. When prices rise due to increased gold supply, we speak of gold inflation, when due to currency notes, currency inflation, and when it is due to an over-expansion of credit, the term credit inflation is used. Mere inflation implies a general rise in prices due to some, any, or all of these causes. Deflation is the opposite of inflation. It should be noted that high or low prices as such are immaterial. If all prices including prices of services double or halve overnight, it makes no material change in the economic position of the people concerned. But this never happens. Actually, rising or falling prices influence the course of production and the distribution of wealth in different and often adverse ways.

In the modern Muslim world, almost everywhere we find the problem of rising price level as a part of rise in the price level

throughout the world. Without going into the details of its causes it can be said that the purchasing power of Zakāt revenue diminishes during periods of rising prices; the poor who are entitled to receive the Zakāt money are thus hard hit. Therefore, there is no reason to believe that the items taxed and the rates charged were meant to be unchangeable with the changing circumstances, as the door of Ijtihād is never closed in Islam. One school of thought held the view that the rate of Zakāt cannot be changed as it has been fixed by the Apostle of Allah himself. But if we look to the spirit of Zakāt, there is not the least difficulty in concluding that in fixing the rate of Zakāt the Islamic State may introduce the element of elasticity to face the inflationary tendencies of the economy of almost all the Muslim countries of the world. By change in the rate of Zakāt, I mean change in its rate in money terms, not in real terms. Let us suppose that twenty years ago one could purchase 10 seers of rice with Rs. 2½. Now if one can purchase 5 seers of rice with the same amount, then what does it mean? This means depreciation in the value of money to the extent of 50%, which justifies the increase in the rate of Zakāt to the extent of 50%. If this is not allowed, the objectives for which Zakāt is collected will be defeated. Because money itself is not valuable; it is valuable for it has an exchange value. Therefore, if the exchange value of the existing rate of Zakāt is reduced to zero, Zakāt will lose its significance in bringing an element of socialism in the society.

In fact, Hadrat 'Umar himself introduced many changes in the system of Zakāt. He imposed Zakāt on horses, whereas before him horses were exempt from Zakāt. He helped the non-Muslim aged and the sick and the unemployed out of the proceeds of Zakāt. Therefore, it is not the manner or the rate of collection that matters. Zakāt is not an end in itself; it is a means to an end.

Principles of Public Finance. Let us now discuss some aspects of Zakāt in the light of the principles of modern public finance. Firstly, an attempt may be made to distinguish between Zakāt and modern sources of public finance, although the religio-economic character of Zakāt makes it a difficult task to compare it with the modern materialistic sources of public finance, which consist of taxes, fees, prices, special assessments, rates, etc. Though compul-

sion is the essence of both tax and Zakāt, yet Zakāt differs fundamentally from tax on the ground that tax (i.e. income-tax) is generally imposed on income while Zakāt is comprehensive in the sense that it is charged not only on savings but also on property.

Again, Zakāt is neither a fee nor a price. Because fees are a compulsory payment but are paid only by those who obtain definite services in return. In the case of Zakāt the question of "definite return" does not arise. Moreover, the main difference between Zakāt and prices lies in the fact that one can escape prices by not purchasing a service as price is the payment of a service of business character, e.g. charges for travelling on railways, while Zakāt is an obligatory tax.

Finally, Zakāt is not a special assessment, nor is it rates. Because special assessment, as defined by Professor Seligman, is "a compulsory contribution levied in proportion to the special benefit derived, to defray the cost of a specific improvement to property undertaken in the public interest." The "benefit theory of taxation" which is the basis of special assessment is not the main consideration of Zakāt. Moreover, Zakāt differs from rates partly because rates are levied on immovable property and partly because rates generally vary from locality to locality. Zakāt which is guided by one uniform principle is not leviable on instruments and residential houses.

Canons of Taxation. Though there is a fundamental difference between Zakāt and the modern sources of public finance, yet Zakāt can be linked to Adam Smith's four canons of taxation—Equality, Certainty, Convenience and Economy. Firstly, according to the canon of equality, "the subjects of every State ought to contribute towards the support of the Government, as nearly as possible in proportion to their respective abilities, that is, in proportion to the revenue which they respectively enjoy under the protection of the State." By ability is meant equality of sacrifice and not of amount paid. Every person should contribute towards the maintenance of the State according to his ability. Thus the rich should pay more taxes than the poor. This is true under the modern system of taxation under which the levy of a tax is on the income of an individual. Zakāt, on the other hand, is levied

on the accumulated savings at a uniform rate which ensures equal sacrifice. Moreover, Zakāt cannot be spent by the State in any way it likes. It is an express objective of Zakāt that it should be made available for the poor from which the rich can have little or no direct benefit.

Secondly, according to the canon of certainty, "the tax which each individual is bound to pay ought to be certain and not arbitrary. The time of payment, the quantity to be paid, ought all to be clear and plain to the contributor and to every other person." The tax-payer should know what amount he is to pay so that he may adjust his expenditure to his income. The tax-payer should also know when he is to pay and why he is to pay. As regards the certainty of Zakāt there can be no comparison, because its basic rules are unalterably fixed by Divine sanction. Like any other tax, the ordinary principles of assessment would enable the State to ascertain the amount of revenue to be derived from Zakāt.

Thirdly, the canon of convenience states that "every tax ought to be so contrived as both to take out and to keep out of the pockets of people as little as possible over and above what it brings into the public treasury of the State." As for the collection of Zakāt, the rules are so simple that no specialised knowledge is required and consequently the cost is definitely economic. Because at least at twenty places in the Holy Qur'ān Zakāt is associated with Ṣalāt. It is this importance which enrobes Zakāt with a religious sanctity of the highest order and thus makes the realisation of this tax easy, inexpensive and voluntary.

It should be noted here that economists have recently added two more canons—the canon of productivity and the canon of elasticity. It goes without saying that Zakāt is quite consistent with the canon of productivity since the taxing of idle money in the form of Zakāt inevitably leads to its perforce employment in productive channels which in turn increases the national wealth of a country. True it is that Zakāt does not appear to be elastic in the modern sense of the term. But the question of elasticity loses its force as, under the Islamic scheme of society, it is open to the head of the State to devise and impose new taxes according to changing circumstances.

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Secondly, according to the canon of certainty, "the tax which each individual is bound to pay ought to be certain and not arbitrary. The time of payment, the quantity to be paid, ought all to be clear and plain to the contributor and to every other person." The tax-payer should know what amount he is to pay so that he may adjust his expenditure to his income. The tax-payer should also know when he is to pay and why he is to pay. As regards the certainty of Zakāt there can be no comparison, because its basic rules are unalterably fixed by Divine sanction. Like any other tax, the ordinary principles of assessment would enable the State to ascertain the amount of revenue to be derived from Zakāt.

Thirdly, the canon of convenience states that "every tax ought to be so contrived as both to take out and to keep out of the pockets of people as little as possible over and above what it brings into the public treasury of the State." As for the collection of Zakāt, the rules are so simple that no specialised knowledge is required and consequently the cost is definitely economic. Because at least at twenty places in the Holy Qur'ān Zakāt is associated with Ṣalāt. It is this importance which enrobes Zakāt with a religious sanctity of the highest order and thus makes the realisation of this tax easy, inexpensive and voluntary.

It should be noted here that economists have recently added two more canons—the canon of productivity and the canon of elasticity. It goes without saying that Zakāt is quite consistent with the canon of productivity since the taxing of idle money in the form of Zakāt inevitably leads to its perforce employment in productive channels which in turn increases the national wealth of a country. True it is that Zakāt does not appear to be elastic in the modern sense of the term. But the question of elasticity loses its force as, under the Islamic scheme of society, it is open to the head of the State to devise and impose new taxes according to changing circumstances.

In no country does each tax satisfy each of these canons. Even all modern taxes are bound to infringe some canons in one way or the other. Zakāt as a system of taxation satisfies, not only most of the principles of taxation, but also possesses certain definite advantages over the modern taxes.

Advantages. In comparison with modern taxes, Zakāt possesses definite advantages over them in at least three respects. In the first place evasion is a serious defect of modern taxes. It is quite well known to everybody that many people try to evade income-tax by presenting false accounts. The question of dishonest practices in the case of Zakāt is quite unexpected because of its religio-economic character. Needless to say that Zakāt is one of the five pillars of the Islamic faith. In economic sphere it is a voluntary submission to God's will.

Secondly, the main basis of Zakāt being unused hoarded wealth, it serves a noble purpose. It is only through Zakāt that it is possible to unearth hoarded wealth and utilise it for the greater benefit of society. As Zakāt is a divine order, wholehearted co-operation of the individual concerned to bring out his hoarded wealth would be forthcoming. Under modern taxation system this co-operation will not be easily forthcoming as nobody will willingly give out to the State the secrets of his hidden treasures. Actually, Zakāt checks the tendency to hoard money and provides a powerful stimulus to investment in productive purposes as Islam allows profit and partnership.

Finally, the purpose of Zakāt and the heads of its expenditure have been well defined in the Holy Qur'ān. So the Government is not competent to spend the money collected through Zakāt in any way it likes. But the revenue collected from taxes can be spent whimsically by the modern State. Empirically viewed, income coming from taxes is not always spent on productive purposes. Moreover, Zakāt is not "felt" as much as income-tax, because the payment of Zakāt being a divine order the people will pay it willingly.

Social Security. Now-a-days, in almost all advanced countries, there is a cry for social security schemes. Regarding the meaning and scope of security, Professor F. Benham in his book *Economics* observes : "It is the duty of the State to provide a minimum

economic security for all its citizens. The phrase commonly used for this minimum of economic security is social security. There is no clear-cut line, established by general usage, between social security measures and other measures which reduce inequality, such as free hospital treatment, medical advice and medicine ; free education ; and subsidies on food-stuffs and on working class houses. The general practice is perhaps to include under social security measures only schemes for providing money benefit to persons suffering economic hardship. Such schemes include insurance against unemployment and sickness ; compensation to workers who have met with accidents in course of their employment ; maternity benefits ; family allowances for children ; pensions to old people, widows, the blind, and those injured in war ; and in the last resort national assistance." But if we examine the heads of expenditure of Zakāt, there is the least difficulty in concluding that there is nothing original in the modern social security schemes or Professor Pigou's cry for Welfare State.

The heads of expenditure of Zakāt money have been clearly mentioned in the Qur'ān which are eight, namely, disbursement (i) in aid of the poor, the destitute and the disabled, (ii) to help the converted Muslim, (iii) to help the needy, (iv) to help the debtor to repay his debts, (v) to free slaves, (vi) to help the tourists in difficulties, (vii) to pay salaries of the staff employed on collecting Zakāt and (viii) in the way of Allah. It is to be noted that out of the eight items as many as six concern poverty. *Ṣalāt* (prayer) rouses the feeling of equality and brotherhood between the rich and the poor, the high and the low, and Zakāt puts that feeling of brotherhood on a firm footing by making the rich and the capitalists responsible for the maintenance of the poor and the needy. The spiritual and moral values of Islam inculcated by *Ṣalāt* would lose its significance if men did nothing to eradicate poverty for bringing about social justice. Zakāt is really a revolutionary concept. Because for the cause of the poor, definite portions are assigned from almost all sectors of the economy. Thus by a levy of 2½% on all idle wealth, one-tenth or one-twentieth on all agricultural produce, one-fifth on all mineral wealth, the tax on the entire capital of the whole nation has been set aside to meet the requirements of the poor and the needy. Therefore,

But Zakāt is an uncompromising enemy of hoarding and killer of Capitalism. As Zakāt is an obligatory tax on rich Muslims, the object of it is to remove the inequality of income and to return the purchasing power to the poor people. According to the teachings of the Holy Qur'ān, there is no harm in earning money but it is the sacred duty of the Islamic State to see that not a single citizen in the State is deprived of the bare necessities of life.

This object can easily be achieved by proper distribution of Zakāt money among the poor and the needy. Zakāt, by giving them purchasing power, brings about a balance between demand for and supply of goods and thus facilitates the course of production in the country and smoothes the path of national progress and prosperity. Now these people, having purchasing power in their hands, will demand more goods; entrepreneurs will try to produce more; the scope of employment in the country will increase, and with that the national income will also go up. Zakāt thus benefits both the rich and the poor—those who pay it and those who receive it as the Qur'ān says: "It (Zakāt) brings well-being to both the person who pays it and the person who receives it."

Thus it may be repeated that Zakāt is not an end in itself; it is a means to an end. So the essence of Zakāt lies not in its detailed rules, but in its purposes and objects for which it was designed. But we must be aware that the greater the hold of Islam on the people, the greater the chance of smooth collection and distribution and the less chances of its evasion. So sincere attempts must be made by the Muslim States to inculcate the spirit of Islam among Muslim members of the community.

(e) *Zakāt and Modern Muslim States.* We have already seen that the institution of Zakāt contains an enormous potential for mitigating the sufferings of the degraded humanity. The modern Muslim States must mobilise their domestic resources through Zakāt for financing various development programmes in education, health, labour and social welfare sectors. Therefore, attempts should be made not only to collect Zakāt revenue by the State but also to examine thoroughly the institution of Zakāt. To start with, they can set up "People's Zakāt Welfare Trusts" to be adminis-

tered by eminent jurists of Islamic Law and administrators of great integrity of character under the overall supervision of the States concerned. It is to be examined whether it is possible to introduce an element of flexibility in fixing the rate of Zakāt keeping in view the inflationary pressure on the developing economy as well as the people's sentiments about it. In the first phase of implementation of Zakāt scheme, its rate, as fixed by the Prophet, may not be disturbed. Without losing further time, an environment will have to be created where it is possible to introduce the scheme of "Zakāt Saving Certificates" somewhat on the lines of National Investment Trust (N.I.T.) Units of Pakistan. The proposed "Trust" may invest these saving certificates like N.I.T. of Pakistan. The dividend may be declared minus the amount of Zakāt which must be known to the persons concerned so that they can recommend the names of the "entitled" persons. The persons who will purchase these certificates may be given relief against income-tax which will, I am sure, be sufficient incentives on the financial side. But the freedom to realise such non-transferable certificates after the prescribed maturity period must be ensured. The superiority of such a scheme lies in the fact that, unlike modern schemes, the person concerned will be gaining both tangible and intangible advantages—tangible advantages in the form of profits from the investments and intangible advantages from the act of performing a supreme religious obligation. This is just a broad outline of the scheme; what is needed is a mass of detailed provisions, fresh thinking and planning.

3. Conclusion

Tax structure in early Islam does not fall into the two classes of religious and secular revenue, as wrongly maintained by many Western scholars. In spite of the simplicity of the system, there were a number of taxes prevalent in the early Islamic State. Generally speaking, they are: (a) Zakāt, (b) Jizyah, (c) Kharāj or Land-Tax, (d) Spoils of War, (e) Tax on Mines and Treasure-Trove, (f) Customs Duties and Tolls. It is found by analysis that the tax system of early Islam was elastic and dynamic in nature.

The author feels profoundly that the institution of Zakāt

even today contains an enormous human potential for communal betterment which we should utilise in a systematic manner through Government agency, for financing social welfare and social security schemes of the modern State such as poor-houses, centres for free medical treatment, schools to provide elementary, secondary and technical education for the indigent, money relief for the unemployed, aged, widows and orphans, and a beginning might be made with the grant of relief to the innocent dependants of persons who are suffering imprisonment for crimes, etc.

The author, however, feels that the categories of property defined in the early days of Islam to which Zakāt is to be applicable should not be rigidly maintained. It is to be decided whether or not such things as industrial machinery, bank notes, shares, stocks, etc., should be subject to Zakāt.

The author also feels that in fixing the rate of Zakāt, the Islamic State may introduce an element of elasticity to face the inflationary tendencies of the economy of almost all the Muslim countries of the world. During the periods of rising prices, the purchasing power of Zakāt revenue diminishes; the poor who are entitled to it are thus hard hit in real terms. Ḥaḍrat 'Umar introduced many changes in the system of Zakāt, because it is a means to an end, not an end in itself.

Appendix to Chapter XI

SOME REFLECTIONS ON THE FISCAL SYSTEM OF PAKISTAN

Here an attempt is being made to make a few random recommendations and observations for policy decisions in the area of the existing fiscal system of Pakistan.

(1) In underdeveloped countries like Pakistan there is an acute need for resources for financing development programmes. A great deal of the prevailing concern with tax incentives appears to be misplaced. Development requires expansion of a host of non-revenue yielding services, such as education, health and communications, to be financed out of Government revenue. These services provide the necessary "infra-structure" of the economy, without which even private investment activities would be handicapped. So there must be an annual review of the policy of tax concession incentive to private sector, which should not be allowed to enjoy the concessions to the detriment of the interests of the common man. A policy of tax penalty system may be adopted if private sector fails to achieve the target for which tax incentives are meant.

(2) There is a feeling that the tax policy of Pakistan is promoting capital formation by making available for economic development the maximum additional untapped resources, both human and material. There is also a feeling that the tax policy is not reducing the existing disparities at the desired rate. The existing dependence of Pakistan's fiscal system on indirect taxes to the extent of about 76% of the total revenues of the Central and Provincial Governments appears to be excessive specially when the Government of Pakistan is committed to secure a viable synthesis of economic growth and social justice. Therefore, mere introduction of an element of progressivity in the structure of indirect taxes by exempting certain necessities of life in Pakistan will not do. A comprehensive survey should be carried out to determine the pattern of family expenditure among various classes of people so that a study of incidence of indirect taxes by income group is possible. We cannot ignore the regressive effects and inequitable nature of indirect

taxes. The further scope for raising revenue through direct taxes, particularly from: (a) agriculture, (b) property tax, (c) services rendered by public corporations and semi-autonomous bodies, (d) imposing taxes on unnecessary expenditures on marriages, births and other ceremonies, (e) nationalisation of certain key trades, etc., need careful consideration.

In order to make policy decisions in respect of mobilisation of agricultural income, the mere examination of the question of the extent of net increase in incomes in agricultural sector is not enough. It is pertinent to carry out a survey to determine who are the main beneficiaries of the Government's agricultural policy which provided a number of facilities like improved agricultural inputs and subsidised fertiliser and agricultural loans, etc. Any tax proposal in the agricultural field must, therefore, be progressive in nature.

(3) In underdeveloped countries like Pakistan it is always better to concentrate on improving the tax administration rather than to embark upon the much more difficult task of broadening the tax base. It is reported that Pakistan's exchequer loses Rs. 50 to 100 crores each year in income-tax evasion alone which is approximately one-quarter of the national budget. This is apart from the many crores evaded in other Central taxes. It is said that the most common methods of income-tax evasion are: (a) maintaining more than one set of account books (generally two, but sometimes three, the third one for non-active partner); (b) entering into deals and transactions outside the books; (c) operating bank accounts in fictitious names, both personal and corporate; (d) trading in false names for short periods; (e) bogus partnerships, etc.

There is a strong feeling that legal avoidance is also practised by use of the following methods: (a) floating subsidiary companies, (b) not distributing dividends in years of profits or declaring them in years in which income can be set off against losses incurred elsewhere; (c) creation of trusts in order to transfer business profits; (d) effecting sale of company's assets at ridiculously low prices to friends or members of family.

In many cases, bogus cash credits are shown in the books to divert profits. Not infrequently, what are shown as loans from

banks are not loans, but advances obtained against fixed deposits. Suppression of sales is the most common device. Sales are made without recording a book entry. Again, many concerns which operate branches in other towns under-state or simply leave out profits earned by branches. Exports are under-invoiced and imports over-invoiced to bring down the profit rate. In companies, especially private limited companies, excessive remunerations are paid to directors, some of whom frequently draw on the company's reserves as loans and advances.

Why Does Evasion Take Place? The question is not easy to answer, though some of the causes and motivations can be identified. First of all, it is a hang-over of the colonial days when not paying taxes to foreign government was not deprecated. In ultimate analysis it may be found that the problem of tax evasion is a part of the general pattern of a developing society and a symptom of the time. The failure of an individual or a group to render unto Government what is Government's is really a moral and not a legal failure. Hence the necessity of educating both the tax collector as well as the tax payer. This is indeed a time-killing process. But the John Mathai Taxation Inquiry Committee in India (1954) had suggested regular and periodic publication of lists of all tax payers in the country and the incomes at which they were being assessed. It was of the view that that might help the Department to find new assessee as reports about notable omissions would start pouring in from rival and even disinterested sources. It could, perhaps, be tried here too, in the short run.

(4) Coming to the problems of local taxation in Pakistan it is felt that the Provincial Governments should, in principle, withdraw gradually from the field of taxation generally considered to be of a local nature like entertainment taxes and transfer of certain other taxes like property taxes to local bodies including rationalisation of the system of grant-in-aid by the Provincial Governments. The transfer of resources from Provincial Governments to local bodies must, of course, follow the creation of a sound administrative infra-structure at the local government level, because the transfer of resources will carry with it the transfer of responsibilities to the local bodies. Therefore, efforts should first be

made to create conditions so that the local bodies may utilise the resources, proposed to be transferred, properly and efficiently.

Meanwhile, measures may be taken to augment the resources of the local bodies by rationalisation of the existing rate of local taxation keeping in view the impact and incidence on the overall production and consumption pattern.

(5) Finally, it is to be examined whether "People's Zakāt Trust" could be set up by the provincial Governments with its network throughout the provinces. The proposed Trust may be administered by a number of eminent scholars of Islamic Law and Jurisprudence and senior administrators like high court judges, members of the Provincial Boards of Revenue, etc., to earn confidence of the people. Allocations from the Fund may be made in proportion to contributions received from specified areas which should be provided with visible social security schemes already stated. We believe that if the proposed Trust is properly organised and administered, it may be one of the oldest means of financing many welfare schemes in social and education sectors which must receive due attention in the future planning of Pakistan.

Chapter XII

FISCAL POLICY AND BUDGETING IN ISLAM

1. Fiscal Policy : (a) Its Meaning ; (b) Expenditure Policy ; (c) Revenue Policy ; (d) Revenue Policy towards Non-Muslims
2. Budgetary Policy ; (a) Budget in Early Islam ; (b) What Modern Budget Means ; (c) Islamic State and Modern Budget ; (d) Deficit Budget and Foreign Exchange ; (e) Internal Revenue
3. Modern Trends in Budgeting—Concept of Programme and Performance Budgeting and Muslim Countries
4. Summary and Conclusion

Establish worship, pay the poor due, and bow your heads
with those who bow in worship.

—*al-Qur'ān*, ii. 43

... It is conceivable that the spirit of Islam might be the
timely reinforcement which would decide this issue (of ascending
racialism and nationalism) in favour of tolerance and peace.

—Arnold Toynbee, *Civilization on Trial*

1. Fiscal Policy

(a) *Its Meaning.* The Islamic principle of fiscal and budgeting policy aims at evolving a society based on balanced distribution of wealth by placing material and spiritual values on an equal footing. "Of all the religious books of yore, to my knowledge, the Qur'ān is the only one which has laid down precise instructions as to the policy of the State regarding the expenditure of income." This very fact reflects a new approach towards a study of the problem of fiscal policy which "is concerned," in the words of Professor R.W. Lindholm, "with the determination of the type, the time and the procedure to be followed in making Government expenditure and in obtaining Government revenues." This is, of course, to achieve certain specific objectives. Fiscal policy is regarded as a tool to regulate and control human behaviour which can be influenced through incentives or disincentives supplied by raising Government revenues (through taxation or borrowing or securing Government expenditure). No doubt, in theory, the system of taxation introduced by modern secular States proposes to be based on the socio-political and maximum social advantage theories which aim at general welfare of the people. To the extent that these desirable ends are achieved, they conform to the Islamic principle. But J.S. Mill has rightly pointed out in his book *Representative Governments* that in practice legislature is a representative of a small minority which used to capture the power of the State either by their wealth or by their organisational capacity. In such a state of affairs, how can we expect that fiscal policy would be conceived and executed in the interest of the people?

The Islamic State is not a theocracy in the sense of priest-craft but is an ideological State which serves as a mechanism for the implementation of the laws of the Qur'ān and the Sunnah. The fiscal policy in the Islamic State must, therefore, conform to the principle of Islamic laws and values. The fundamental object of religious laws of Islam is to achieve the welfare of mankind. This welfare of mankind can be achieved if the whole legal and economic system, not to speak of fiscal policy only, is consistent with the main Divine Attributes which are (a) Providence, (b) Beneficence, and (c) Compassion. Thus the expenditure-incurring

and the revenue-drawing activities of the State must be used for the achievement of certain specific economic and social ends within the general framework of Islamic Laws as laid down in the Qur'ān and the Sunnah.

(b) *Expenditure Policy.* The expenditure incurring activities of the State have got a definite impact on the socio-economic life of the society. Unlike other religious books, the Holy Qur'ān has laid down very precise orders as to the policy of the State regarding expenditure of State income. Obviously, these activities are neither left at the mercy of the Head of the State nor at the so-called will of the modern legislature. The Qur'ān says: "The Zakāt [i.e. taxes coming from Muslims] is intended nothing otherwise than for the Muslim poor (fuqarā'), the poor among the resident aliens (masākīn), for winning the hearts, for liberating the slaves and the prisoners of war, for aiding those heavily indebted, in the Path of God, and for the wayfarer. This is an obligation from God and God is Knowing, Wise" (ix. 61).

A brief explanation of certain items of expenditure of Zakāt may be of interest. The very high authority of Caliph 'Umar is there to support the view that the term "masākīn" means the poor among the non-Muslim inhabitants of the Islamic State. The Semitic philology also confirms it. Again, as regards expenditure for winning the hearts, the following quotation may be useful: "As to those whose hearts are won, they are of four kinds: firstly, there are those whose hearts are won in order to make them come to the aid of the Muslims; secondly, there are those whose hearts are won for making them abstain from doing harm to Muslims; thirdly, there are those whose hearts are won for their embracing Islam; fourthly, there are those whose winning of heart persuades their peoples and their clans (equally) to embrace Islam. So it is permissible that each and everyone (belonging to these kinds) should be the recipient of this item of Zakāt, be he a Muslim or a polytheist." The point we are making here is that Zakāt may also be used for the welfare of non-Muslims. Even the term "Path of God" is also a comprehensive one. Spending money for mitigating the suffering of the non-Muslims could well be included as an expenditure in the path of God. The last item "wayfarer" may be

1. Abū Ya'la al-Farrā', *Al-Ahkān al-Salṭāniyah*, p. 116.

added not only by free boarding and lodging but also by improving touristic conditions, hotels, means of transport, security of roads, and the like, not only for Muslims but also for non-Muslims.

As a matter of fact, "if we visualise the condition of Arabia in the time of the Holy Prophet, it is not difficult to see that the above-mentioned items practically exhausted all the needs and requirements of the budding State and nascent community of Islam; they went much beyond what was known in the neighbouring 'civilized' countries, Byzantium and Iran. In fact, the Prophet established a Welfare State. If we look to its spirit, there is not the least difficulty in concluding that the Islamic law of finance has great elasticity for further expansion to meeting the requirements of any age and any civilization."²

Apart from precise instructions with regard to the expenditure of State income, the Qur'ān has also laid down a broad policy of expenditure for balanced distribution of wealth among the various sections of the community. Thus, instead of accumulating wealth, Islam pleads for more and more expenditure.

The Qur'ān says: "Spend whatever remains after your needs" (ii. 219). This does not mean to spend money on frivolous things. Islam not only discourages but condemns extravagance. The Qur'ān says, "Do not squander. Allah does not love the extravagant." Hoarding is equally condemned because it keeps wealth out of circulation and deprives the user as well as the community of its beneficial use. Besides this, the fragmentation of property under the Islamic law of inheritance and operation of Zakāt are the chief principles which rationalise the Islamic economic system. In fact, the whole economic philosophy of expenditure-incurring activities of the State is to bring the surplus wealth into circulation, and to ensure, consistently with the natural rights of private property, the balanced distribution of wealth among all sections of the community, especially among the poor and the needy. Naturally, the taxation system in the Islamic State must be guided by the principle of benevolence and care for the have-nots.

(c) *Revenue Policy.* No doubt, there is a great elasticity in the Islamic system of public finance and taxation. This can be estab-

2. *Progressive Islam*, Vol. II (September 1955), p. 6.

and the revenue-drawing activities of the State must be used for the achievement of certain specific economic and social ends within the general framework of Islamic Laws as laid down in the Qur'ān and the Sunnah.

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(c) *Revenue Policy.* No doubt, there is a great elasticity in the Islamic system of public finance and taxation. This can be estab-

2. *Progressive Islam*, Vol. II (September 1955), p. 6.

lished partly from the silence of the Qur'an as to the rates to be charged on different articles belonging to the Muslims and partly from the early history of financial administration of Islam. In so far as the financial aspect of the administration is concerned, we see a gradual evolution, beginning with persuasion and recommendation and culminating into obligations and duties enforced with all power that the society could command. Before the Hijrah we have no record to prove that there was any fixed rate of Zakāt. No attempt was made to collect and disburse Zakāt revenues by the central authority. But the conditions changed fundamentally when the Holy Prophet and the persecuted Muslims left Mecca and settled in Medina. In the course of a few years, detailed rules of Zakāt revenues were framed. In fact, Zakāt and Sadaqah comprised the entire State income of the time of the Holy Prophet in so far as it was collected from the Muslim subjects. At the time of the Holy Prophet the Zakāt and the Sadaqah included not only tax on cash, but also the land revenue and the tax on domesticated animals (sheep, goats, camels and cows) ; it included tax on mines (particularly gold and silver), on treasure-troves and the like. The Arabia of fourteen hundred years ago and the modern world offer us a fundamental change in the socio-political and socio-economic pattern of society. So there is no reason to believe that items taxed and rates charged were meant to be unchangeable with the changing circumstances as the door of Ijtihād is never closed in Islam. In fact, Ḥaḍrat 'Umar brought about certain changes in so far as the details of Zakāt are concerned. He is also reported to have lowered the existing rate of import duty on consumer goods coming from Medina from 10% to only 5%. However, the modern complex system of taxation can be justified because of the complexity of modern life. But the fundamental point which is to be borne in mind, in order to better appreciate the nature of taxation in Islam, is to understand double sanction—spiritual and temporal—behind Government taxation in the Islamic State. Both these aspects are welded together—to create an equilibrium in man with his complex nature. Thus, as I have already pointed out, the revenue-drawing activities of the State must be guided by the principle of benevolence and care for the have-nots. Judged by this standard the

modern system of taxation, specially the method of revenue-drawing through indirect taxation, comes under heavy fire, because incidence of this indirect tax falls mainly on the shoulders of the poor, the indirect taxes being generally imposed on articles of necessities of life.

Indirect taxes are often regressive in character, particularly if the taxed commodity happens to be a necessary of life. In fact, from the point of view of having a progressive tax structure, direct taxes are certainly much more desirable than indirect taxes. If a policy of full employment requires a high marginal propensity to consume, progressive taxation is apparently necessary for transferring wealth from the rich, who have a relatively low marginal propensity to consume, to the poor, who have a very high marginal propensity to consume.

The Islamic system of taxation must ensure that only the rich and the prosperous who have enough to spare bear the main brunt of taxation. Probably, it is for this reason that incomes are not taxed at the source or as they accrue but it is only the savings or hoardings which are taxed.

(d) *Revenue Policy towards Non-Muslims.* An Islamic State is, in fact, bound to treat the Muslims and the non-Muslims on different footings in so far as revenue-collection is concerned. If the Zakāt revenue is collected from the Muslims and spent on the welfare of the poor Muslims and non-Muslims, we find no harm in collecting a certain amount of revenue from the non-Muslims. Herein lies the justification of collecting Jizyah and Kharāj tax during financial administration in early Islam. Even in modern times this question of different revenue policy towards the non-Muslims does not appear to be unworkable. If only the Muslims are required to pay a certain amount of tax to the exclusion of the non-Muslim subjects of the State, there is, I am afraid, a chance of transferring wealth from the Muslims to the non-Muslims who may have a prosperous trade and commerce at the cost of the Muslims. Judged by any standard of justice and equity, this cannot stand to universal principle of social justice.

We have already pointed out that tax in Islam must have a double sanction—spiritual and temporal—and not the double nature—religious and secular. Thus, unlike other religions, Islam

does not recognise any distinction between religious and temporal affairs. They are the obverse and the reverse of the same coin. Like Zakāt, Kharāj and Jizyah have also the sanction of either the Qur'ānic injunctions or the Prophet's Sunnah behind them and thus the imposition of these taxes is evidently a religious act from the point of view of the Islamic State.

2. Budgetary Policy

(a) *Budget in Early Islam.* Before making an attempt at formulating a budgetary policy in the Islamic State we may have a look on the budgetary system in early Islam. The budget of the time of the Holy Prophet was quite simple and not as complex as the modern budgeting system. It is partly because the socio-economic conditions have changed fundamentally and partly because the Islamic State, founded and run by the Holy Prophet, began in the first year of the Hijrah with only a few streets of the small city of Medina. Though within a span of ten years when the Prophet breathed his last, the whole of Arabia and parts of Southern Palestine and Iraq were under his jurisdiction, yet budgets were not complex. The income of the State varied from year to year and even from day to day. Different parts of the State used to send certain amounts of their revenues after meeting their own administrative and other expenditure. For instance, the localities in Palestine (of Jarba and Adburah) had each engaged to pay annually 100 dinārs (Ibn Sa'd, and others). The port of Aylah, on the gulf of 'Aqabah, paid 300 dinārs every year (Ibn Sa'd, Maqrizi). The region of Najrān, in the Yemen, sent in 2000 garments every year (each garment valuing one ounce of gold). But we possess greater details regarding later epochs, especially the Abbasid Caliphate, for which even the budget notes for the whole empire have been published, for instance, by Von Kremer in several of his German writings. These refer only to income, yet they are interesting in the sense that we know nothing about contemporary Europe, the empire of Charlemagne, for instance, who is said to have exchanged embassies with Hārūn al-Rashid.

As a matter of fact, the Bait-ul-Māl did not receive the gross income of the Kharāj lands and alms-tax from the provinces but

only surplus remaining after the cost of all local services and pay of the military had been deducted.

How the income of the Bait-ul-Māl was normally expended may be gathered from the budgetary estimates for the year 306, which have been preserved. The main items of public expenditure were as follows :

(a) On the holy cities (Mecca and Medina and pilgrim routes thereof)	315,426½
(b) On the frontier parts	491,465
(c) Stipends of Qādīs in the empire	56,599
(d) Police officers and magistrates in the empire	34,439
(e) Officers of the barīd (posts)	79,402

The total cost of these public undertakings and other expenditure was less than one million dinārs, while the expenditure on the royal household, the minor officials in Government, Diwāns, the security police at the capital, and other items accounted for over 14½ million dinārs. In fact, the objects on which public money was spent, and with which the public treasury dealt, were comparatively few and they differed with time and circumstances.

From the above analysis at least two things are clear : (a) During early Islam the basis of budgeting was, probably, the revenue which determined the amount available for expenditure. This was, however, not true in the case of emergency budgets due to war or other natural calamities for which special financial imposts were levied or contributions invited. (b) Budgetary policy was not growth-oriented as there was then no cry for economic growth in the modern sense of the term.

Now the question arises as to what type of budgetary policy a modern Islamic State should adopt.

No doubt, the conception of balanced or surplus budget was, probably, the prevailing practice of early Islam. Even today it is one of the accepted canons of financial orthodoxy that the national budget should always be balanced. A budget is said to be balanced if governmental expenditure and revenue are equal. If revenue exceeds expenditure in a given period of time, the budget becomes a surplus one, and in the case of deficit budget it

does not recognise any distinction between religious and temporal affairs. They are the obverse and the reverse of the same coin. Like Zakāt, Kharāj and Jizyah have also the sanction of either the Qur'ānic injunctions or the Prophet's Sunnah behind them and thus the imposition of these taxes is evidently a religious act from the point of view of the Islamic State.

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is the expenditure which exceeds revenue.

(b) *What Modern Budget Means.* Not only in early Islamic period, in the recent past, the scope of the budget was so narrow and limited that when the budgeted sums were spent, the authorities concerned considered their task complete. Today the emphasis is not placed on the mere act of spending money; it is found in the relationship between expenditure and fulfilment of plans, because planning and budgeting are considered to be complementary operations. Thus the "modern budget is a complex mixture of plans and projects which have to be carried out in the near future with the twofold purpose of increasing and improving on the future management of public affairs as well as eliminating the existing difficulties and obstacles on the path of the country's economic growth."

But the modern conception of a multiple budget, including both the income budget and the capital budget, has raised a fundamental question—the question whether the capital budget should be balanced or not. The supposed virtues of a balanced budget under the circumstances are no longer believed in and deficit financing has come to be accepted as one of the most potent instruments for fighting a depression, whether cyclical or chronic.

(c) *Islamic State and Modern Budget.* Modern Islamic States will have to accept the modern conception of budgeting with a fundamental contrast with regard to the handling of budget deficit. The Islamic States of today must start with the indispensable expenditure and proceed to find ways and means either by rationalisation of tax structure or by taking loans from the banking system or from abroad.

Time was when the problem of economic growth, especially the problem of unemployment, the problem of population and, above all, the technological and industrial dominance and the consequent exploitation of the backward regions by the Imperialists, was not in existence during the early Islamic period. But gone are those days. The Muslims, despite their numerical strength and geographical distribution all over the world, are today, by and large, a poverty-stricken people—a people who are mostly subject to exploitation. From Morocco to Indonesia and from Mauritania to Malaysia without exception all countries possess

vast natural resources and rank amongst the world's most important growers of primary commodities and producers of mineral wealth. For instance, 80% of world's jute grows in Pakistan; Egypt is amongst the largest of the world's cotton-growers; three-fourths of world's supplies of oil come from the Arab world; Indonesia and Malaysia meet the world's major requirements of tin and rubber.

(d) *Deficit Budget and Foreign Exchange.* Obviously, for exploitation of these vast natural resources of the Muslim States what is required is a huge public expenditure for which deficit financing is a must. Since interest is prohibited on loans it is the appropriate time to form a Development Bank of the world of Islam on the model of I.B.R.D. by pooling the resources of the Muslim world to be supplemented by grants, aids, loans from the World Bank, I.D.A., Asian Development Bank, and other friendly Governments. (We have developed this idea in Chapter IX.) Thus if the growth-oriented budgetary policy is pursued by individual Muslim States, foreign exchange requirements of the budget may largely be met from interest-free loans from this Bank, like I.D.A., even if foreign exchange requirements are not fully met by this Pan-Islamic Development Bank or Pan-Islamic Mutual Aid Fund, as we call it. Two paths are open to us. Firstly, we may try to persuade foreign investors to invest on partnership basis without any political strings. Secondly, we may take loans from abroad on payment of interest. With regard to my second point I am definitely entering into a controversy. One may agree to differ with me but the fact remains that we cannot impose our religious injunctions on the non-Muslims, and this is obviously against the spirit of Islam. So if foreign exchange becomes absolutely essential, we are to take loans from abroad on payment of interest on a reciprocal basis. This is simply for our survival in this world of conflict and competition. We think it is permissible for the Islamic State to have interest transactions with a non-Muslim neighbouring State in reprisal to the same extent as are levied by the latter. During the reign of Caliph 'Umar trade was free but the introduction of customs duties and tolls owes its origin to the fact that the neighbouring countries with which the Islamic State had com-

mercial dealings persisted in levying duties on the Muslim traders. When Abū Mūsā Ash'arī reported this fact to Caliph 'Umar he ordered that, as a reciprocal measure, the Harbīs should be charged the same rate as was being collected from the Muslims, i.e. 10%. Where the duty levied by the Harbīs was not known, the same rate, 10%, was prescribed. In fact, on the basis of the principle of reciprocity, we find no harm in taking loans for the welfare of the masses on payment of interest. This type of lending is, we are of view, not inconsistent with the spirit of Islamic values of life. This is, in a nutshell, the way by which foreign exchange requirements of growth-oriented budgets can be met.

(e) *Internal Revenue*. So far as the mobilisation of internal resources, including loans from the banking system, is concerned, the Muslim States are, we believe, the masters of their own affairs. In the Islamic socio-economic set-up, banks must act as partners of trade, commerce, industry and development plans. A happy fusion of financial experience of the banks and the investors' knowledge of investment and business must be made in order to achieve true social justice and universal brotherhood of man. We have already seen that during the early Islamic period Zakāt and Ṣadaqah revenues formed the principal sources of income. Obviously, in modern times, these revenues cannot meet the requirements of modern growth-oriented budgets in an Islamic State. There is a clear necessity for imposing new items of taxes specially on the richer section of the community in the interest of progress and social justice. The tradition is clear on it: "There is always due besides Zakāt." Thus the Holy Prophet (peace and blessings of God be upon him) commends and commands socially beneficial expenditure. He said, "Riches should be taken from the rich and returned to the poor" (Bukhārī, 8).

And there are those
Who bury gold and silver
And spend it not in the way of
God : announce unto them
A more grievous penalty (ix. 34).

From the above verse it is clear that there is a grievous punishment in store for those who abuse their riches to the detriment of society. Islam views with disfavour the monopoly of

resources by a few self-seeking millionaires. God enjoins upon the wealthy to keep wealth in a state of circulation, as the Holy Qur'ān says, "in order that it (wealth) may not merely make a circuit between the wealthy among you" (lix. 7). Hence the necessity of more and more progressive taxation and public expenditure, and this policy will have to be reflected in the budgetary policy of an Islamic State.

3. Modern Trends in Budgeting—Concept of Programme and Performance Budgeting and Muslim States

In recent years, a number of new approaches to budgeting have been developed in an effort to help the developing countries in their capital expansion programmes. Some countries are preparing consolidated cash budgets as supplementary to conventional budgets which furnish useful information on money flows and basis for short-run estimates of the effects of Government's fiscal operations. Again, a number of countries, specially Scandinavian countries, have adopted two budget systems—the operating or current budget and capital budget.

It was an attempt at reconciling the apparent conflict between balanced budget and financing of large capital outlays by borrowings. In the capital budget system, capital outlays are covered in the capital budget, whether expenditures are on self-liquidating, return-yielding projects. The budget system in Pakistan also follows the distinction between capital budget and revenue budget. But what is needed is the effective budget classification to make it more meaningful in economic terms. It is gratifying to know that the Budgetary Reforms Committee in Pakistan has recommended for the adoption of economic-cum-functional classification as developed by the United Nations. This is needed in Pakistan to establish a link between budgeting system and fiscal policy.

Finally, in modernising the budgetary system, the new concept of programme and performance budgeting is gaining popularity, specially in the United States. Traditional budget placed emphasis on the objects of expenditure, programme budgeting on defining national purposes and achieving public objectives. In

performance budgeting we find the shift in emphasis from means of accomplishment to accomplishment itself. Mr G.N. Jones in a recent article has observed: "Under a performance budget system, the work programme is developed according to functions and activities in terms of expected accomplishments. Under the traditional budget system, the work programme is developed according to 'objectives of Expenditure,' such as personnel services, materials, and supplies and equipment in the terms of the means of accomplishment. The most important characteristic of performance budgeting is the shift in emphasis from the means of accomplishment to the accomplishment itself.

"A performance budget system treats budgeting as a tool of management and not that of finance. The utilization of financial resources takes precedence over financial accountability. The budget is tied directly with the executive and becomes one of his principal tools for management."³

It is true that the Budgetary Reforms Committee of Pakistan has recommended for formulation of budgets on a programme and performance basis. Several attempts were and are also being made to modernise the accounting and budget procedures, training of personnel, etc. But we feel that Muslim countries in general and Pakistan in particular are not mature enough to formulate their budgets on programme and performance basis. Though several developing nations like the Philippines and some Latin American countries have been receptive to this new budgetary reform, yet we have no conclusive proof to show that they have been a success.

Performance budgeting would make it necessary to evolve a system of work measurement and to calculate the unit cost of each type of governmental activity. But the work done in Government departments is so complex and varied in nature that it is very difficult to work out a common measuring rod for all types of activities. Certain types of work may not even lend themselves to quantitative measurement at all.

Since work measurement and determination of unit cost are highly technical jobs requiring a thorough knowledge of and experience in the techniques of work study, time-and-motion study, etc., a successful programme and performance budgeting

3. *NIPA Journal*, March 1967.

in Muslim countries can be installed only when there exists a solid administrative infra-structure with a galaxy of trained accountants, economists, planners and other technical persons. In Muslim States like Pakistan, Iran, Iraq, Indonesia, there is an acute scarcity of such trained personnel and their administrative infra-structures are also not that solid. We, therefore, do not feel encouraged to suggest that the budgets of the Muslim countries should be formulated on programme and performance basis in the short run. Of course, this type of budgeting may be introduced in well-planned stages, depending on the nature of economic development of respective Muslim countries.

4. Summary and Conclusion

(a) *Fiscal Policy.* Unlike other religious books, the Holy Qur'an is probably the only one which has laid down very precious commandments as to the policy of the State regarding expenditure of State income. The Qur'an points out the items on which Zakāt revenue can be spent. Zakāt revenue which is to be collected only from the Muslims can be used for the welfare of the non-Muslims also.

Instead of accumulating wealth in the hands of a few, Islam pleads more and more expenditure. But Islam not only discourages but condemns extravagance. Hoarding is equally condemned, because it keeps wealth out of circulation. The Islamic law of inheritance is another step towards the diffusion of wealth among various sections of society. Obviously, the taxation system in the Islamic State must be guided by the principle of benevolence and care for the have-nots.

The silence of the Qur'an as to the rates of Zakāt to be charged on different articles belonging to the Muslims may be interpreted as great elasticity of the Islamic system of public finance and taxation. As the socio-economic condition has changed fundamentally, there is no reason to believe that items taxed and rates charged were meant to be unchangeable with the changing circumstances as the door of Ijtihād is never closed in Islam. There is need for rationalisation of the rules of Zakāt as Hadrat 'Umar is reported to have brought about certain changes

in details of Zakāt. Judged by the principle of benevolence and care for the have-nots, the modern method of revenue-drawing through indirect taxation comes under fire because incidence of this heavy tax falls mainly on the shoulders of the poor as they are generally imposed on articles of necessities of life. In this sense, they are often regressive in character.

As Islamic State is, in fact, bound to treat the Muslims and the non-Muslims on different footing in so far as revenue collection is concerned. If only the Muslims are required to pay a certain amount of tax to the exclusion of the non-Muslim subjects of the State, there is a chance of transference of wealth from the Muslims to the non-Muslims who may have a prosperous trade and commerce at the cost of the Muslims. This is unjust. Hence the necessity of differential treatment.

In fact, if we look to the spirit of financial administration of the Holy Prophet there is not the least difficulty in concluding that the Islamic law of public finance has great elasticity for expansion to meet the requirements of the modern age.

(b) *Budgetary Policy.* Owing to the complexity of modern life resulting from the onward march of human civilisation, there is need for changing the emphasis from orthodox balanced budgetary policy to growth-oriented budgetary policy. In an Islamic State the basis of budgeting is no longer the revenue which would determine the amount available for expenditure. It is the indispensable expenditure which should form the basis of budgeting in the Islamic State.

Obviously, the need for deficit financing and loans from abroad can hardly be overestimated for the exploitation of the vast resources the Muslim States of the world have. As a mark of economic co-operation among the Muslim States like R.C.D., it is proposed to establish a Pan-Islamic Development Bank or Pan-Islamic Mutual Aid Fund as we call it on the model of I.B.R.D. If established, this may solve the problem of getting interest-free foreign exchange to a great extent. Pakistan being the largest Muslim State of the world may take a lead in it. Islam has faced the challenge of time.

Since interest is prohibited in Islam, attempts should be

made to persuade foreign investors to invest on partnership basis. If this is not at all possible, we think it is permissible for an Islamic State to have interest transactions with non-Muslim States on the principle of reciprocity. In fact, the Islamic budgetary system is different from the existing system followed in the modern States both in its spirit and essence mainly for two reasons :

(i) Tyranny of interest is the least in the case of Islamic budgetary system.

(ii) Objectives of the budgetary policy must be consistent with injunctions of the Holy Qur'ān or the Sunnah. People are not at the mercy of the so-called financial wizards of the State.

(c) *Modern Trends in Budgeting.* In recent years, a number of new forms of budgeting have been developed, of which programme and performance budgeting is the most important. Since the performance budgeting system is exceedingly complicated and rests on the complicated system of cost accounting, a successful programme and performance budgeting in Muslim countries in general and Pakistan in particular can be installed only when there exists a solid administrative infra-structure with a galaxy of trained accountants, economists, planners and other skilled hands. Programme and performance budgeting should, therefore, be introduced in Muslim countries in well-planned stages.

made to persuade foreign investors to invest in partnership with the state and state-owned enterprises. We think it is possible for the state to have more transactions with the private sector. In fact, the Islamic budgetary system is different from the existing system followed in the modern states both in its spirit and essence mainly for two reasons:

(i) Tyranny of interests is the least in the case of Islamic budgetary system. In recent years, a number of new forms of budgeting have been developed, of which performance budgeting is the most important. Since the performance budgeting system is exceedingly complicated and tests on the complicated system of cost accounting, a substantial programme and performance budgeting in Muslim countries is not feasible. In fact, in particular, can be installed only when there exist solid administrative infrastructure with a galaxy of trained accountants, economists, planners and other skilled hands. Performance budgeting should, therefore, be introduced in Muslim countries in well-planned stages, step by step.

(ii) Islamic budgetary system is not at all enemy of the so-called financial whims of the state. In fact, in budgeting, in recent years, a number of new forms of budgeting have been developed, of which performance budgeting is the most important. Since the performance budgeting system is exceedingly complicated and tests on the complicated system of cost accounting, a substantial programme and performance budgeting in Muslim countries is not feasible. In fact, in particular, can be installed only when there exist solid administrative infrastructure with a galaxy of trained accountants, economists, planners and other skilled hands. Performance budgeting should, therefore, be introduced in Muslim countries in well-planned stages, step by step.

Chapter XIII

Supreme

PLANNING AND DEVELOPMENT IN ISLAM

1. Economic Planning in Islam :
 - (a) Its Meaning
 - (b) Objectives
 - (c) Method of Financing
 - (d) Necessity of Planning in Islamic State
2. Concept of Economic Development : Islam as a Factor of Development
3. Muslim Countries and Economic Development: 'Ulamā' and Development
4. Summary and Conclusion

Say : Allah is the Creator of all things, and He is the One, the Supreme.

He sendeth down water from the sky, so that valleys flow according to their measure, and the flood beareth (on its surface) swelling foam—from that which they melt in the fire in order to make ornaments and tools riseth a foam like unto it—thus Allah coineth (the similitude of) the true and the false. Then, as for the foam, it passeth away as scum upon the banks, while, as for that which is of use to mankind, it remaineth in the earth. Thus Allah coineth the similitudes.

—*al-Qur'ān*, xiii. 16-17

It is the predicament of our age that we realise that planning is necessary, but also know that wrong planning may be disastrous. It has always been open to question how far institutions can foster religious experience . . . but now mankind is engaged in a life and death struggle for civilization, even the engineer realises that society is rooted in deeper layers of human soul than he ever thought.

—Karl Mannheim, *Diagnosis of Our Time*

1. Economic Planning in Islam

(a) *Its Meaning.* Economic planning in Islam seems to provide a realisable synthesis of planning by inducement and planning by direction. Various injunctions of the Holy Qur'ān and the Sunnah have confirmed it, although no evidence has been found to indicate any systematic treatment of the subject. However, we all know that Islam stands for a happy blending of spiritual and material values of life. Therefore, worldly occupations are recommended again and again both in the Qur'ān and the Ḥadīth. The Qur'ān says :

When the prayer is finished,
Then disperse
Ye through the land
And seek the bounty of Allah (xii. 16).

Modern planning is nothing but the utilisation of this "bounty of Allah" in a systematic manner to achieve certain objectives keeping in view the changing needs of the community and values of life. In a wider sense planning refers to the preparation of schemes for any and every economic activity. As Professor Robbins has observed, all economic life involves planning. The consumer spending his income and the producer deciding what to produce are all planning. But we cannot accept this view mainly because of the fact that there are more than one individual involved in planning. The different plans may come into conflict with each other resulting in disorder and economic chaos, and this chaos may lead to wastage of resources. But the Qur'ān has condemned all wastages of resources, human and material. Therefore, the modern conception of planning which should be understood in a restricted sense is recognised in Islam, because such planning implies best possible exploitation of resources which God has provided for man's subsistence and comfort. Needless to mention that all original resources of wealth—the sun, the moon, the stars, the earth, the clouds that bring rain, the winds that drive the clouds and carry the pollen, all phenomena of Nature—are the gift of Allah to the whole of mankind. There are two ways of utilisation of "this gift of Allah". One way is planning by direction and the other planning by encouragement. In communist

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countries we find planning by direction. In this approach, the problem of finding resources is approached from the standpoint of estimating resources for achieving predetermined targets of national income, employment and production. Here all the resources of the community are regarded as available for being pressed into development work. This necessarily means the imposition of extensive controls in order to direct all resources into the desired channel for achieving the prescribed targets. This approach of planning is based on the materialistic interpretation of history and the economic theory of exploitation. This type of planning is foreign to Islam because of its faith in private ownership, individual freedom and democracy.

Moreover, Islam does not believe in Marx's materialistic interpretation of history. The Qur'an recognises the diversity of capacities and talents, which in itself is beneficent, and, consequently, in diversity of earnings and material rewards (iv. 33). It does not approve of a dead-level equality in the distribution of wealth, as that would defeat the very purpose of the diversity and would amount to denying the favour of Allah (xvi. 72). Therefore, in the Islamic State the problem of finding resources should be approached from the standpoint of estimating the maximum amount of resources which the community will be willing to devote to development either through public or private saving. This does not necessarily mean that Islam believes in planning by inducement only. If need be, the Islamic state may direct all resources—physical and human—toward the benefit of the community as a whole, as is apparent from the early history of financial administration of Islam when, beginning with persuasion and recommendation, duties were enforced with all the power that society could command. This was true of Zakāt. The history of Islam records many incidents where the State enforced payment of Zakāt and the Caliph Abū Bakr waged war against those who defaulted in the payment of Zakāt. Again, private ownership is recognised in Islam. But the Sharī'ah of Islam lays down that the owner of the property must discharge his social responsibilities in a manner consistent with the injunctions of the Holy Qur'an and the Sunnah, otherwise the State can intervene and deprive him of ownership. The Caliph 'Umar is said to have taken back some of the land

which the Prophet (be peace on him) had given to Bilāl ibn al-Hārith.

All these instances bear ample testimony to the fact that planning in Islam relied largely on individual initiative while the State took upon itself the dual role of a brake and an accelerator. Thus, Islam seems to provide the best realisable synthesis of the two opposites; incentive to work is retained by recognising the restricted private ownership of property and perfectly socialistic effects are produced by providing compulsory distribution of excess of income and property. The structure of the Islamic economy is capitalistic in outline though largely restricted by socialistic institutions.

In fact, co-operation between public and private sectors is the basis of economic planning in Islam. In case of failure of co-operation the State can intervene in order to achieve the social objective of planning.

(b) *Objectives.* We have already mentioned that the modern economic planning is done to achieve certain objectives. "The theoretical reason for a statement of objectives is that it defines ends from which choice of criterion can be derived. In this way value judgment can be made by responsible leaders at the beginning of the planning operations and remainder of the planning work can be turned into a merely technical process of deciding and applying criteria that select the set of actions which will best serve the selected objectives."

Thus what is a beneficial objective to the community depends on the conditions of that community at a particular time and values of life. Therefore, the objectives of modern planning vary from State to State. Islam maintains a balance between exaggerated "opposites". No doubt, objectives of economic planning in Islam are relative to the needs of the community and this changes with the changing circumstances subject to the injunctions of the Holy Qur'an and the Sunnah. The soundness of the objectives of Islamic planning will be judged by the principle of beneficence and care for the have-nots. Let us, for instance, look at the objectives of the prospective planning in Pakistan (1965-85). The Planning Commission has, however, recognised that various objectives of prospective planning can, to a degree, be inconsistent with each

other. The objective of quaudruplicing the national product in twenty years may come in conflict, not only with the goal of full employment, but also with regional balance. No doubt, the reconciliation of the objectives constitutes a considerable challenge to the planners. But a careful analysis will reveal the fact that the ultimate objects of planning in Pakistan are to improve the level of living of the people and to care for the have-nots. This has been clearly emphasised in the socio-economic objective of the Fourth Five-Year Plan of Pakistan. Therefore, our objectives of planning are consistent with the Islamic values of life. Because, planning in Islam must move towards a viable synthesis between the claims of economic growth and social justice through the pursuit of pragmatic policies, consistent with the spirit of Islam. Many subsidiary objectives may be formulated from these basic objectives. Of course, there might be a conflict between various objectives under the Islamic framework of planning. But in all cases, a balance will have to be sought between various interests, and the predominant intention would be to promote benefits and prevent harm. The noted jurist Ibn al-Qayyam says:

If one contemplates over the laws which the Almighty ordained for His creatures one finds that they are all designed to ensure a balance of benefits and that where there is a conflict preference is given to the more important as against the less important. The laws also seek to prevent the infliction of harm, but where harm is inevitable, the lesser of evils is preferred. These are the principles implicit in the laws of Allah, which eloquently speak of His wisdom and compassion.

Therefore, the planners in an Islamic State must keep in view this basic principle in formulating the various objectives of planning. Let us now take up the principle of execution of planning.

Execution of Planning. For achieving the objectives of economic planning in Islam we are to depend on the universally recognised principles of Shirakat (i.e. co-operation). That is, the execution of planning will be made through the participation of public and private sectors on partnership basis. This will, we are sure, work through the application of the eternal principle of Muḍārabah, where labour and capital can be combined together as partners. It is not merely a partnership in the modern sense of the term. It is something more than this because Islam has provided a code of

economic ethics. This code will have to be adhered to when the principle of Muḍārabah is put into practice. Industrial, commercial and agricultural projects within the framework of planning can be worked on this principle combining the various units of production. The income resulting from such enterprises can be shared proportionately after deducting all the legitimate expenses. There is little chance of loss in the Islamic system of planning. Because, as a result of co-operation between the public and the private sectors there will be more chances of healthy investment, pushing the march of economic progress ahead. There will be also less possibility of depression under such a system of planning. If depression takes place owing to some other reason, the Islamic system will be better suited to face the situation than that of the capitalistic system of planning, because the fixed rate of interest which retards the recovery of depression will not be allowed to exercise its tyrannical influence on employment and production.

(c) *Method of Financing.* The question of execution of a plan is vitally connected with the question of finding financial resources. So far as the method of financing is concerned there is an element of similarity between the Islamic and modern planning but their difference lies, not only in its emphasis, but also in its way of utilising the resources. There are usually a number of ways for raising resources and achieving targets, the two fundamental sources of finance, being internal or domestic resources and foreign assistance.

(i) *Internal Finance.* The internal finance may take two forms: private saving and public saving.

Private Saving. In underdeveloped Muslim countries it is difficult to increase the volume of current domestic saving partly because of low incomes and partly because of increased desire for consumption in the form of luxury imports or sumptuous ceremonials, etc. Much can be done by encouraging its investment in the field of greatest urgency and production. Unlike modern planning, in Islamic planning strategy saving can be married with economic development not through the differential rates of interest but through co-operation. No doubt, niggardliness is condemned in the Qur'ān (iv. 38). The other extreme, extravagance, is equally condemned. Even when giving to, or sharing with

others, a person should not go so far as to render himself in turn an object of charity (xvii, 30). Therefore, when unnecessary consumption retards the process of economic development, the Islamic State can intervene to control such consumption and direct control of investment policy.

Public Saving. Again, where private saving is insufficient much can be done by adopting the policy of progressive taxation which is always regarded as an important method of financing a development plan. Raising revenue by taxation is justified in Islam. The Hadith says: "There is always due besides Zakāt." But in Islamic planning undue emphasis on indirect taxes can hardly be justified. The fundamental point which is to be borne in mind, in order to better appreciate the nature of taxation in Islam, is to understand double sanction, spiritual and temporal, behind Government taxes in the Islamic State. Both these aspects are welded together to create an equilibrium in man with his complex nature. Thus, as I have already pointed out, objectives of planning in Islam must be guided by the principle of benevolence and care for the have-nots. Judged by this standard the modern system of indirect taxation comes under heavy fire. Because the incidence of indirect taxes generally falls on the shoulders of the poor. From the point of view of having a progressive tax structure direct taxes are certainly much more desirable. If a policy of full employment requires a high marginal propensity to consume, progressive taxation is apparently necessary for transferring wealth from the rich to the poor. In many Muslim countries we find excessive dependence of the fiscal system on indirect taxes. But efforts should be made to introduce an element of progressivity in the structure of indirect taxes by exempting certain necessities of life as we find in Pakistan.

The Islamic system of taxation must ensure that only the rich and prosperous, who have enough to spare, bear the main brunt of taxation. Probably, it is for this reason that incomes are not taxed at the source, but only savings or hoardings.

(ii) *Zakāt.* Another unique source of revenue which an Islamic State can utilise for financing a development plan is Zakāt which cannot be spent in any way an Islamic State may want. It must be spent in the way prescribed in the Qur'ān which says: "The

Zakāt (i.e. taxes coming from Muslims) is intended nothing otherwise than for Muslim poor (fuqarā'); the poor among the residents aliens (masākīn); for winning the hearts; for liberating the slaves and the prisoners of war; for aiding those heavily indebted; in the path of God; and for the wayfarer. This is an obligation from Allah and Allah is Knowing, Wise" (xi. 61).

Keeping in view these items of expenditure on which Zakāt revenue can be spent, the modern social security schemes and social welfare projects of our planning may be financed out of the surplus of Zakāt revenue. "Zakāt, if collected in a systematic manner, may check the tendency to hoard idle cash resources and provides a powerful stimulus for investing idle stocks. This stimulus gets momentum from the fact that Islam allows profits and sleeping partnerships in which profit and loss are shared. Some have taken Zakāt to be a voluntary private charity, whereas it is a compulsory tax on saving and property at a rate varying from 2½% to 20%.

(iii) *Deficit Financing.* Another resource in the public sector is deficit financing which means Government's borrowing from the banking system of the country when available resources are not enough for financing the development expenditure. What makes deficit financing a key variable in underdeveloped countries and a major guide to the financial position of the Government is the fact that most of the public debt in these countries is held by the banks and possibilities of borrowing from the non-bank sector are often very limited. Under the Islamic system of planning there is no harm in resorting to deficit financing. The only fundamental difference from modern planning lies in the fact that interest will not under Islamic planning be allowed to exercise its harmful affects on production, employment and social justice. In the Islamic socio-economic set-up, banks must act as partners of trade, commerce, industry and development plans. A happy fusion of financial experience of the bank and the investor's knowledge of investment and business must be made in order to achieve the objects of planning, realisation of which would ultimately lead to a stage of society based on true social justice and universal brotherhood of man.

Let us now switch over to the problem of financing develop-

ment plans through foreign assistance.

(iv) *Foreign Assistance.* Foreign loan/aid is important for the plan, not only to bridge the gap between resources required and available within the country, but also to supply a specific type of resources for which no domestic substitute is available, viz. foreign exchange. The foreign exchange component of expenditure has to be found abroad in foreign loans and grants to the extent that the balance of payments position of the developing country does not permit release of foreign exchange for its purpose out of its own earnings. It is because of this unfavourable balance of payments position and acute shortage of technical know-how, that the use of foreign funds becomes particularly important in developing States.

The following systematic attempts may be made for solving the problem of foreign exchange of Muslim countries. A systematic policy of promoting exports is recommended. This is not un-Islamic, because Islam has encouraged international trade. If one studies the history of commercial law, one would see that the enlightened Muslim Moors used to have an immense trade with the Levant from Barcelona and other places. Their goods reached Indian and Chinese ports and they traded along the African coast as far as Madagascar.

Obviously, for exploitation of the vast natural resources of Muslim States what is required is a huge public expenditure. Since interest is prohibited on loans it is an appropriate time to form a Development Bank of the World of Islam on the model of I.B.R.D. by pooling the resources of the Muslim world to be supplemented by grants, aids, loans from the World Bank, I.D.A., Asian Development Bank, and other friendly Governments. The proposed bank may undertake joint projects, particularly when individual Muslim States are not in a position to finance the projects. The R.C.D. is a living testimony that joint ventures among Muslim States are quite possible.

We may try to persuade foreign investors to invest on partnership basis without many political strings. The funds may be private or governmental or may be supplied by inter-governmental agencies.

Lastly, we may take loans from abroad on payment of

interest. One may differ with me but the fact remains that we cannot impose our religious injunctions on the non-Muslims, this being obviously against the spirit of Islam. So if foreign exchange becomes absolutely essential for the establishment of a just society where a viable synthesis between the claims of economic growth and social justice is achieved. We are to take loans from abroad on payment of interest just as wine is permitted in special circumstances. Where harm is inevitable, the lesser of the evils is to be preferred. Therefore, in the larger interests of society it is a lesser evil to have interest transactions with a non-Muslim State on the analogy of the action of the Caliph 'Umar who permitted to levy customs duties and tolls on the articles of trade of a non-Muslim neighbouring State in reprisal to the same extent as were levied by the latter. This is, in a nutshell, the way by which foreign exchange requirements of development planning of Muslim States can be met.

(d) *Necessity of Planning in Islamic State.* Our present discussion will remain incomplete if we do not answer a preliminary question: "Why plan at all in Muslim countries?" The following reasons may be placed on record:

(1) The Muslim States, despite their numerical strength and geographical distribution all over the world, are today, by and large, underdeveloped. But from Morocco to Indonesia and from Mauritania to Malaysia without exception all countries possess vast natural resources and rank amongst the world's most important growers of primary commodities and producers of mineral wealth. Obviously, for the exploitation of these vast natural resources systematically, what is required is comprehensive economic planning. Pakistan's Perspective Planning (1965-85) is the right move in the right direction.

(2) The world Muslim population is increasing so rapidly that it is impeding economic growth of respective Muslim countries. The figures issued by the World Muslim Congress at its fifth world meeting in Baghdad in 1962, as amended to date, give the estimate at certainly over 600 million. The logic of the circumstances suggests that an attempt should be made not only to adjust population growth to resources but also to adjust resources to population. The first attempt calls for adoption of a compre-

hensive population control policy, and the second one a comprehensive economic planning in all Muslim countries.

(3) The Qur'ān says: "After finishing the prayer, seek the bounty of God" (xii. 10). Again, the Prophet (be peace on him) is reported to have said: "When you finish your morning prayer, do not sleep until you strive for your livelihood." Now, the question of earning one's livelihood in a decent manner depends on the opportunities of getting employment. Planning not only solves the problem of unemployment by bringing a happy marriage between saving and investment, but it also faces the ugly problem of unemployment by creating new avenues of employment. As Professor Benham says, "It is true that planning organisation as a whole including all those engaged in obtaining information would absorb a considerable proportion of the personnel and other resources of the community."

(4) Islam has condemned wastages of all kinds. The Qur'ān says: "But waste not, by excess, for God loveth not the wasters" (vi. 142). In the economic sphere, the chance of waste is the greatest where there is no economic stability. Economic planning brings about the required economic stability in the economy, whereas a planless society does not. Because here the individual enterpriser is guided by his own study of the market conditions. This leads either to overproduction or under-production.

(5) Islam views with extreme disfavour the monopoly of resources by a few self-seeking millionaires. The Qur'ān says: "In order that the (wealth) may not (merely) make a circuit between the wealthy among you" (lix. 7). Again, the Prophet (be peace on him) is reported to have said: "Riches should be taken from the rich and returned to the poor" (Bukhārī, 8). Again, he says: "If any Muslim has his brother holding a position inferior to him, he should let him partake of what he eats and what he wears" (Bukhārī, 99).

All these instructions go to prove that Islam looks with disfavour the idea of inequitable distribution of wealth. But it is economic planning which does help to secure a more equitable distribution of income and wealth. Experience shows that private enterprise has failed to bring about an equitable distribution of the benefit of economic growth among the different sections of

the community.

(6) It follows that planning is of supreme importance for avoiding monopolistic exploitation, speculative businesses and anti-social wastes of the competitive system. Islam has condemned not only monopoly business but also speculative business. Thus it is related that the Holy Prophet (be peace on him) said: "He who accumulates stocks of grain during the period of scarcity (with a view to profiteering later) is a great sinner" (Muslim and *Mishkāt*). But, unfortunately, the actual course of economic development almost everywhere has been to increase the power of monopolies, and a monopoly-dominated economic order is the go of the capitalistic social set-up. Thus resources are misdirected because the monopolist restricts output and employment. Under planned economy, the monopolist will lose his power of artificially raising the price and restriction of the use of the resources.

Lastly, Islam regards war as an abnormal and destructive activity to which recourse should be had only as a last resort. The Qur'ān says: "If aggression were not repelled by force, the earth would be filled with disorder and all beneficence would disappear" (ii. 252). Therefore, from the viewpoint of total welfare some sort of peace-time preparation for war is necessary to face any eventuality. So some kind of planning is necessary even in times of peace in order to facilitate an easy transition of a country's economy to a war basis. Various strategic factors are, for instance, taken into consideration in the location of industries even in times of peace. So, planning in some form or other is necessary not only for peace-time economy but also for war economy. It is thus abundantly clear that there is an imperative need for comprehensive economic planning in all Muslim countries of the world. True it is that, in spite of many intrinsic merits, the modern planning cannot be carried out without huge bureaucracy with all its evils of red-tapism and potential threat to personal freedom. Yet we feel that planning in an Islamic State will be free from the vicious influence of bureaucracy for two reasons:

(a) The very basis of Islamic planning is co-operation—a principle which will be applied in all aspects of economic activity. The influence of red-tapism of bureaucracy would be the minimum.

(b) The whole conception of planning in an Islamic State is not dependent on material welfare to the utter neglect of spiritual and moral development. In the Islamic State all economic problems will have a moral bent.

Since under the Islamic scheme of society there is not much room for the capitalist trinity—sovereignty of the consumers, the tyranny of the price system, and the quest for the huge profits. Planning in Islam is definitely free from many short comings of the modern planning.

2. Concept of Economic Development : Islam As A Factor of Development

The superiority of the Islamic concept of economic development to the modern concept of the term lies in the fact that the urge of economic development in Islam comes not only from the eternal problem of scarcity and choice but also from Divine inducement of the Qur'an and the Prophet's Hadiths. Before establishing this, we may proceed to explain the meaning of the term "economic development". "Economic development refers to the process whereby the people of a country or region come to utilize the resources available to bring about sustained increase in per-capita production of goods and services." Professor Snider tells us: "Economic growth refers to the long-run or secular increase in per-capita productivity." According to Professor W.A. Lewis, "Growth is taking place if output is increasing per hour of work done." In his book *Process of Economic Growth*, Rostow tries to explain economic development in terms of a number of propensities: the propensity to develop fundamental science; the propensity to apply science to economic ends; the propensity to accept innovations; the propensity to seek material advance; the propensity to consume or to save and the propensity to have children. These propensities summarise the effective response of a society to its environment at any period of time through its existing institutions and leading social group.

As a matter of fact, economic development means increase in the *per capita* income of the people at a given period of time. It views economic organisation of a society as a production unit.

Economic growth measures the capacity of the economy to increase the supply of goods and services. So, in other words, it means the increase of national income, but both the money cost and real cost remain unaltered, for, if they increase in proportion to the increase in national income, it cannot be called economic development in the real sense of the term.

"To determine whether an economy is a 'developed' one or not, we will use three general tests: (1) its per capita income must be a fairly high one; (2) the per capita income must be a rising one; (3) the rising trend in per capita income must be a continuous and self-sustained one." Judged by these tests, Kuwait cannot be called a developed country, in spite of the fact that her *per capita* income is well above the level of any country of the world. Because this income is the result of oil royalties. Similarly, Japan's *per capita* income in 1953 (a) was less than half that of Israel, Puerto Rico and Uruguay; (b) was considerably less than that of Lebanon, Chile, Colombia, Portugal, Spain, Turkey, and Brazil, and (c) was about equal to that of Mexico, Yugoslavia and, perhaps, Costa Rica. And yet, Japan is commonly regarded as a developed country, while all these others are not. This is because Japan has consistently maintained a rapid rate of growth of *per capita* income for every year since 1868.

So far as this definition is concerned, there is hardly any basic difference between Islam and modern connotation of the term. If there is any difference, it may be found in its approach and method of handling the problem. This will be clearer if an attempt is made to x-ray the basic prerequisites of economic development.

Prerequisites of Growth. There are many prerequisites of economic growth of which the most important are mainly two: one is national resources and the other human behaviour. As Professor Lewis has observed: "The growth of output per head depends on the one hand on the natural resources available, and on the other hand on human behaviour." But our empirical observation suggests that rich resources cannot alone promote economic growth since countries with similar resources show dissimilar vigour at different times in their history without any obvious change in

their resources. Natural resources determine the course of development and constitute the challenge which may or may not be accepted by human mind. "At every stage of development," observes Kindleberger, "we can find countries of the same level of income, one having ten times the arable land per capita of the other—1 hectare per capita to 0.1 hectare: Australia and Switzerland; Argentina and the Netherlands; Syria and Japan; Liberia and Haiti. As for industrial resources, there are many examples of countries having developed despite the lack of some of the basic industrial raw materials and minerals; for instance, Britain with no oil or non-ferrous metals; Switzerland with none except hydro-electricity; Japan with little coal and no oil; and New Zealand with hardly any important mineral of her own to speak of. The Middle East has fabulous resources of oil, but still continues to be an underdeveloped area. Britain did not possess indigenous sources either for cotton or jute, which were among the first industries established on her soil. Denmark, Iceland and Netherlands have developed with little domestic sources of industrial metals. Japan has built up an impressive iron and oil industry based on imported raw materials. The existence of rich natural resources is not a sufficient condition for economic development, nor even a necessary one."

From the above analysis it is proved beyond doubt that human behaviour which is indicative of the desire for growth plays a very crucial role in economic development. As a matter of fact, development is a complex process; economic, political, religious, social and cultural conditions must be favourable. But, unfortunately, in all undeveloped Muslim countries like Pakistan, we find enough economic resources but adverse human behaviour. So what is needed is a painful readjustment—creation of favourable atmosphere on the ruins of adverse social, economic, legal and political institutions.

The moulding of this human behaviour is really a painful process in the underdeveloped countries. These countries should either abandon their development programmes in the face of unfavourable social, economic and political institutions or adopt coercive measures to achieve the targets of economic development. No doubt, Islam does not rule out the need for coercive

measures, if need be, for achieving the greatest good of the greatest number of people. Yet the possibility of getting favourable human behaviour suited to the requirements of the economic development is greater in an Islamic State than in secular States at least in three ways.

In the first place, unlike other religions, Islam recognises both metaphysics and material needs for actual life equally. In Christianity, it is thought that a man of God has no business to bother with politics or economics; his duty is only to be morally immaculate and preach only love and goodwill towards mankind. Similarly, in Buddhism metaphysics is far more emphasised than the actual life of man. Buddha attempted to prove that all manifested and created existence is unreal. It is obvious that such a teacher could have nothing to do with the economic remoulding of society or with the politics of an actual or Ideal State. In Hinduism, in like manner, the doctrine of the transmigration of souls and the weary round of incarnate life is preached and a believer is urged to get rid of this weary round by annihilating his desire and taking resort to monastic life. Religion, in this way, becomes complete worldliness, asceticism and renunciation of the natural and physical world. All this is deadly against the spirit of Islam. Here, the world is not considered to be an illusion or Maya; it is regarded as a reality and a fact which cannot be suppressed by any monasticism or spirituality. For it the conception of salvation of the individual as an isolated entity is absolutely wrong. Islam deals with man not as an individual man but as a member of society. Moreover, it regards it as an obligation on every Muslim not to be contented with his personal piety and righteousness but to spread and propagate it and at the same time to fight against evils prevalent in the society, maybe in the field of ethics or economics or politics.

Thus the Holy Qur'ān points out that "after the (morning) prayer is finished, one should seek the bounty of God" (xii. 16). The tradition of the Prophet also runs like this: "Earning of livelihood (honestly) is next to prayer in order of importance." Besides this, there are many other directives both in the Qur'ān and the Sunnah which go to prove that the proper utilisation of economic resources means fulfilment of His desire. Therefore, the idea of

economic development is inherent in the faith of the Muslims. This very fact reflects a new approach to the whole problem of economic development. Herein lies the superiority of the Islamic concept of development to the modern concept.

Secondly, the teachings of early Islam can profitably be utilised to contain the undesirable side effects of material development which has both economic and social dimensions, evidenced by rise in income and productivity as well as the presence of high achievement, motivation and rising expectations. While the traditional societies are characterised by a static balance, the stresses and strains involved in developmental endeavours do bring about a dynamic disequilibrium and personal frustration on a massive scale, because people realise the possibility of improvement in their conditions and set increasingly higher goals. The more they achieve, the higher become their expectations. Paraphrasing William James and benefiting from some of the recent research findings in behavioural sciences, it may be stated that: (a) expectation achievement (i.e. expectation divided by achievement) equals the prevailing degree of frustration, and that (b) expectations rise in a geometric progression whereas achievements are added in arithmetic progression. The gap between expectations and achievements indicates the level of frustration.

It is, therefore, necessary to rationally deal with these undesirable side effects of the otherwise desirable development process. Here we have some very important lessons to learn from Islam. If the teachings of Islam are injected into the minds of the young people through a sound educational system, we are sure to get a new generation; the individual would be conditioned to thinking in terms of social achievement rather than personal achievement. Service above self may appear a trite maxim but in it alone lies the salvation and peace of mind for the individual and the survival of a nation. Personal frustration on a massive scale, inevitable in a rapidly developing nation, would otherwise inexorably lead to class warfare, group strife and regional conflicts. Rightly or wrongly, Mao's thought has produced a miracle in so far as development of China is concerned. I find no reason why Islamic thought, if properly propagated,

will not produce lasting and decisive effects on the development of the world of Islam.

Lastly, Secularism becomes the keynote of technology-oriented development process of today. The continuous erosion of the established value system results in a moral vacuum. The individual is left without a reference point for his conduct and is deprived of the spiritual bedrock to support him in the stresses and crises inherent in change. Here also Islam can fill up the gap of a moral vacuum, thereby introducing a stabilising element in the process of growth.

The scientific method, some of the outstanding earlier discoveries in natural and applied sciences, contribution of basic importance to the social sciences, and technological developments in chemistry, mathematics, medicine and architecture, were all the products of mind influenced by and infused with the spirit of Islam. The appeal to reason, rational analysis and study of empirical facts and the use of science for the conquest of Nature and for the development of human society are some of the basic distinguishing attributes of early Islam. A proper appreciation of Islamic injunctions and a careful study of our cultural heritage would, therefore, remove the incompatibilities between the present-day secular trends and religious doctrines. Indeed, the so-called secular movement was, originally and in some of its useful aspects, a borrowing from medieval Islam, not completely consistent with the notions then prevalent among the Europeans.

The fact is that Islamic principles concerning appeal to reason and harnessing of all the resources given by Allah for the benefit of man, need to be brought out so that "the motivation for action in the society is provided by the belief that 'the best of you is not the richest and the most powerful but the virtuous'. Unless this fundamental principle of Islam is practised in everyday life even material progress will be frustrated by the decay of moral and spiritual values which in turn are the only safeguards against waste and inefficiency resulting from corruption, exploitation and personal greed. We must not allow the opportunities of rapid economic development to obscure our moral values and destroy the best of our social institutions." The fact of the matter is that a renaissance of true Islamic thought can serve as a positive

factor of development.

In this connection it is interesting to quote a French scholar, Professor Jaques Austruy, who, in his recently published article entitled "Islam's Key Problem—Economic Development," observed: "The economist must here play the part of midwife, helping to bring into the world the materialized result of latent ideas and possibilities. He must contribute to the birth of development, and the economy, which is limited to human possibilities, must seek out the most suitable types of structural arrangements for any particular civilization, as thoroughly as it would strive for the best possible results from the mechanisms of any given structure. This widening of the economic horizon shows the great utility which respect for its own values represents for each community. It also shows the importance of the powerful motives which an economic orientation, emerging from the essential vocation of this community, can bring to development. Here the moral is combined with the practical, and the long-term prospects are initiated by the most immediate and effective form of action." It is, therefore, essential to relate economic development of Islam to religious and cultural factors.

3. Muslim Countries and Economic Development: 'Ulamā' and Development

Unfortunately, all the Muslim countries of the world like Pakistan, Afghanistan, Indonesia, Kuwait, Iraq, Iran, Syria, Turkey, Egypt, Libya, Sudan, Algeria, Morocco, Tunisia, Jordan, Saudi Arabia, are underdeveloped compared to other advanced countries of the world like U.S.A., U.K., Japan. There is an immense scope for development in all these Muslim countries both from the point of view of natural resources and from the point of view of human resources. Because a happy combination of these two factors determines the actual course of development. In other words, Muslim countries are in a better position to make greater development efforts compared to other underdeveloped countries for two reasons: (a) many resources unknown in the nineteenth century are today accessible to Muslim countries, (b) unlike other

religions Islam can be used as a factor of economic development in so far as moulding of human behaviour is concerned.

Now we may draw a brief pen-picture of the natural resources of the Muslim countries. The age of iron and steel was followed by the age of oil. There is no need here to dwell at length on the change in the situation of Islam in the battle for energy. From 1945 to 1958 the contribution of the Middle East to the world production of oil rose from 7.5% to 25.4%. But the size and importance of the deposits discovered grew even more rapidly. In 1920, these reserves were estimated to be 5% of world reserves. Today the figure is approximately 85%. According to an expert on oil, if the deposits in the Middle East continue to be worked at the same rate there will still be enough oil to last for 150 years.

Additional major discoveries have been made in Libya and the prospects of finding more oil in Tunisia, Algeria and remote parts of the Sahara are generally believed to be good. In the event new discoveries are made on a large scale, Europe's energy problem for the future may well be considerably eased.

At the same time these resources may provide an economic basis for improving political relationship between France and the emerging States of North Africa.

Moreover, Indonesia and Malaysia meet the world's major requirements of tin and rubber. Pakistan has a virtual monopoly of jute. Egypt is amongst the largest of the world's cotton-growers. At this stage it might be profitable to examine the strategic importance of the Muslim world as we find it on the map of the world today. Turkey, the master of the Bosphorus and the Dardanelles, stands guard on the Northern Gateway of the Mediterranean. In fact, the Mediterranean Sea has been adjudged to be more than 60% a Muslim lake. The United Arab Republic controls the eastern gateway to the Mediterranean through Port Said and Suez Canal. The Red Sea is also very largely a Muslim lake controlled on either side by Islamic principalities. Likewise, the Persian Gulf enjoys a 100% Muslim control. In South-East Asia, Indonesia is the outpost of the Muslim world in the Pacific Ocean. From the southwestern borders of China to the southwestern borders of Russia the large block of Muslim countries is spread out of multi-pronged penetrations to guard many vital

frontiers and to stand as valiant sentries to protect the lands of Islam, socially and politically.

But these vast natural resources and the strategic importance of the Muslim world are not sufficient conditions of growth. Muslim countries must realise that natural resources cease when the extent and scope of knowledge ceases. Here by knowledge we mean knowledge of both modern science and technology as well as true knowledge of Islamic values of life. On both the fronts we shall have to work very hard. Muslim countries will have to accept the challenge of time. Because, they should not only borrow modern ideas of sciences and technology but also imbue Muslim population of Muslim countries with Islamic values and ideas so that an urge for development comes from within.

'Ulamā' and Development. Since rural population forms a great part of all the Muslim countries of the world, 'Ulamā or Imāms who have still great hold on the people may be associated with the development suited to the requirements of respective economy of Muslim countries. This association may be of great significance in the field of agricultural development. Because food deficit is steadily mounting in all Muslim countries in spite of the efforts by the respective Governments to increase agricultural production. This is indicative of the fact that a total involvement of the people is needed to meet this intractable situation.

A vast majority of our farmers are unaware of tremendous improvements in agriculture brought about by modern science and technology. They are chained to traditionalism and dangerously misleading travesties of what their religion really stands for. As religion occupies a very important place in the lives of our people and has more to do with determining their attitudes than any other factor, the 'Ulamā' can render invaluable service to the nation by helping to create psychological and ideological conditions favourable to the progress of our agricultural population. The propriety and desirability of our 'Ulamā's participation in our campaign for agricultural progress becomes obvious when we consider the past and present activities of religious leaders of other faiths in the field of agricultural development. In the United States of America, for instance, the churchmen in the rural areas do their utmost to equip themselves with scientific and techno-

logical qualifications in order to better serve the rural communities. Along with religious education, they acquire proficiency in agriculture and related specialities. Thus, the movements for conservation of land, co-operation, youth organisation, social reform and education started by religious groups in the U.S.A., especially promoted by the Catholic Church, have acquired a near religious sanctity and people believe in and act in accordance with them as if they were essential articles of their faith.

As a first step towards participation by 'Ulamā' in agricultural development Muslim countries may try a scheme like Mosque Community and Farm Guide Centre which should envisage the training of village Imāms in certain special trades and skills, including poultry, fish, poultry vaccination, better farming through improved seed, agricultural implements, fertilisers, etc., and making them the torch-bearers of progress in the countryside. The scheme may provide for the sale of improved seed, for fertilisers, etc., through the Imāms who would get commission on the sales, and thus improve their own financial position as well. Thus the basic requirements of agriculture would readily become available at the farmer's doorstep.

There should be a follow-up programme also to ensure that the interests of the 'Ulamā' do not sag in the project. The Pakistan Academy for Rural Development, Peshawar, has launched such a programme covering five Union Council only. The results, however, are very encouraging. In addition to the proposed use of mosques as centres of adult and agricultural education, purposefully conceived and planned series of sermons and Khutbahs can be a powerful means of creating the spirit of dignity of labour and co-operation which is essential in an economy like Pakistan's where the size of the land holdings of our individual farmers is extremely small and uneconomic. The need for such association gathers further momentum from the fact that it will create desire for growth among the so-called fatalist farmers of rural areas. This desire is vital from the point of view of growth.

Farm Chambers. Another important step which the Governments of Muslim countries may take is to encourage the formation of farm chambers. If the agriculturists organise themselves into regional chambers on the pattern of the chambers of commerce

and industry, this would greatly facilitate the agriculturists to project their problems. Our approach should be one of persuasion and motivation, not of force. An environment is to be created where such sense of co-operation comes from within, not from "outside".

On successful implementation of the mosque community and farm guide scheme, the Governments of Muslim countries will have to touch the Islamic law of inheritance which is apparently responsible for subdivision and fragmentation of holdings. This can be done by prescribing the limit of economic holdings.

If we fix the limit of minimum economic holding without violating the Islamic laws of inheritance this may act as a powerful inducement for co-operative farming, vital for Muslim countries. The U.A.R. has already introduced such a legislation. I find no harm in framing such laws by other Muslim countries in the larger interests of the society. The possibility of giving insurance cover to the framers of the Muslim countries on the model of insurance cover to industrial labourers may be explored.

We must not, however, forget that mere financial assistance does not ensure the fulfilment of the socio-economic goals of the Islamic State in the sphere of agricultural economy. The forces of change in a traditional society are generally weak and hence they require a powerful impetus if they are to assert themselves. The role of the Islamic State or the State-sponsored bodies in the management and functioning of agricultural credit institutions as also in creating congenial conditions for development of agriculture through a large number of small holders, thus, assumes crucial importance.

4. Summary and Conclusion

(a) *Planning.* The modern conception of planning which refers to the utilisation of resources of the country to attain certain objectives is recognised in Islam. Economic planning in Islam is nothing but a synthesis of planning by inducement and planning by direction. Various injunctions of Holy Qur'an and sayings of the Prophet (be peace on him) have confirmed it. Co-operation between public and private sectors is the basis of economic plan-

ning in Islam. The objectives of economic planning in Islam are relative to the needs of the community, and this can be changed with the changing circumstances subject to the injunctions of Holy Qur'an and the Sunnah. The soundness of its objectives can be judged by the principle of beneficence and care for the have-nots. The execution of planning will be made through the participation of public and private sectors on partnership basis which will work through the application of the principle of Mudarabah. It is because of this that there will be little chances of loss and less possibilities of depression under the Islamic system of planning.

(b) There are two fundamental sources for financing a development plan. One is internal or domestic resources and the other foreign assistance. Internal finance may take two forms: private saving and public saving. In the Islamic State much can be done by encouraging the investment of the small savings in the field of greatest urgency and production. But when unnecessary consumption retards the process of economic development the Islamic State can intervene to control such consumption and direct control of investment policy. In respect of public saving the Government of an Islamic State may adopt the policy of progressive taxation with less emphasis on indirect taxes which are often regressive in character, particularly if the taxed commodity happens to be the necessities of life. Again, keeping in view the items of expenditure on which Zakat revenue can be spent, modern social security schemes and social welfare projects of our planning may be financed out of the surplus of Zakat revenue. Moreover, under the Islamic system of planning there is no harm in resorting to deficit financing of the Government. But the only fundamental difference from modern planning lies in the fact that interest will not be allowed to exercise its harmful effects on production, employment and social justice. Here banks must act as partners of trade, commerce, industry and development plans.

(c) For solving the problem of foreign exchange which is vital for development planning, we propose the following courses of action: (a) a systematic policy of promoting exports, (b) formation of a Development Bank of the World of Islam on the model of I.B.R.D., by pooling the resources of the Muslim world, (c) encouraging

foreign investment on partnership basis, (d) taking loan from abroad on payment of interest in extreme cases. However, the necessity of economic planning in Muslim countries in general and Pakistan in particular arises for the following reasons:

- (1) to exploit the vast natural resources of the Muslim countries which are poor and backward;
- (2) to adjust the resources to the rapidly increasing population all over the Muslim countries;
- (3) to bring economic stability and to reduce wastage which is condemned in Islam;
- (4) to help securing more equitable distribution of income and wealth which is recognised in Islam;
- (5) to avoid monopolistic exploitation, speculative business and anti-social wastes of the competitive system;
- (6) to bring about an overall structural change in the economy of Muslim countries rapidly;
- (7) to facilitate an easy transition of a country's economy to a war basis so that aggression which is condemned in Islam may be repelled.

In fact, planning in Islam is free from many shortcomings of the modern planning.

Economic Development. The superiority of the Islamic concept of development which refers to increasing output per hour of work done to the modern concept of the term lies in the fact that the urge of economic development in Islam comes not only from the eternal economic problem of man but also from divine inducement of the Holy Qur'an and the Sunnah. We have seen that growth of output per head depends, on the one hand, on natural resources and, on the other hand, on human behaviour. But natural resources is not a sufficient condition for economic development, not even a necessary one. Human behaviour plays a very crucial role in economic development. But the moulding of this human behaviour is really a painful process in underdeveloped countries. Because this involves readjustment of social, economic, legal and political institutions. Unlike other religions, Islam recognises both metaphysics and the material needs of actual life. Therefore, the problem of moulding human behaviour in an Islamic State is not that acute compared to secular States. Islam can be treated as a factor

of economic development. The economists must here play the part of midwife, helping to bring into the world the materialised result of latest ideas and possibilities which may be related to the religious and cultural factors of Islam. Muslim countries are now in a better position to make greater development efforts for two reasons: (1) Many resources unknown in the nineteenth century are today accessible to Muslim countries. In 1920 oil resources of the Middle East were estimated to be 5% of the world resources. Today the figure is approximately 85%. (2) The Islamic values of life may be utilised for adjustment of adverse socio-economic and socio-political institutions and for moulding human behaviour.

All-round efforts should be made to develop the Muslim countries. Since a vast majority of farmers of Muslim countries are unaware of the tremendous improvements in agriculture brought about by modern science and technology, attempts may be made to associate 'Ulamā' or Imāms of mosques with development activities. As a first step towards participation by 'Ulamā' in agricultural development, Muslim countries may try a scheme like "Mosque Community and Farm Guide Centre" which should envisage the training of village Imāms in certain special trades and skills and making them the torch-bearers of progress in the countryside. Besides this, encouragement should be given for the formulation of farm chambers on the model of chambers of commerce and industry. Apparently, it appears that the Islamic law of inheritance is responsible for subdivision and fragmentation of holdings. Muslim countries should come forward to fix the limit of minimum economic holdings. This may act as a powerful inducement for co-operative farming, vital for Muslim countries.

Planning and Development in Islam

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Chapter XIV

INSURANCE AND GAMBLING IN ISLAM

1. Insurance in Islam
2. Is Insurance Un-Islamic?
3. Difference
4. Conclusion

The best among you is he who treats the members of his family best.

—Prophet Muhammad (be peace on him)

Private charity has the advantage of being ineffective. The security arising from regular state insurance does actually guarantee to the citizens the minimum subsistence.

—Robert Briffault, *Reasons of Anger*

1. Insurance in Islam

In the survey of modern economic world, the business of insurance must have a prominent place. There is general agreement among most economic theories that the essence of insurance lies in the elimination of the uncertain risk of loss for the individual through the combination of a large number of similarly exposed individuals who each contributes to a common fund premium payments, sufficient to make good the loss caused by any one individual. Therefore, before insurance can be undertaken on a sound economic basis, not only the nature of an insurable risk but its probable occurrence and resulting loss must be determined. It is obvious that all risks are not equally subject to indemnification by means of insurance. The chance or the uncertainty as well as the measurability of various types of risk differs.

2. Is Insurance Un-Islamic?

There is a misconception among some Muslims that insurance is un-Islamic. It is tantamount, they believe, to denying Divine blessings. But Allah is responsible for providing us with reasonable means of livelihood. True, He took upon Himself the provision of reasonable livelihood to His creatures. This is embodied in the following verses of the Holy Book :

There is no moving creature on earth but its sustenance dependeth on God (xi. 6).

And who gives you sustenance
From heaven and earth?
Can there be another God
Besides God? (xxvii. 64).

And We have provided therein
Means of subsistence,—for you
And for those for whose sustenance
Ye are not responsible (xv. 20).

For a proper understanding of these verses, we are to go deep into the matter. These verses do not mean that Allah will supply our food and clothing from heaven even if we sit idle. In fact, all these verses speak eloquently of the economic millennium as envisaged by Islam, and the Muslim State, which claims to be

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God's vicegerent on earth, can only vindicate its grand title if it realises its immense implication in actual fact. It is His will that no individual should be bereft of the reasonable means of existence and he should be immune against any and every encroachment. It is the supreme duty of an Islamic State to ensure this. Insurance helps achieving this objective.

Moreover, Islam recognises family as a basic social unit. Rearing and bearing of each and every member of the family is always considered to be a duty in Islam. In other words, there is no provision in Islam preventing a man from providing for the maintenance of his dependants. The insurance companies, by covering the risk and uncertainty, ensures provision for his dependants, because insurance is a forced saving. The importance of this forced saving can hardly be overestimated in a society like ours where a great part of society consists of the middle class—a class which cannot store enough provisions for its dependants.

At this stage, it may be pointed out that there is a group of persons who confuse between insurance and gambling. They hold the view that insurance is like speculation. If a man dies early, his dependants get a good return for a little money the deceased had given as premium. Apparently, it appears to be a sort of gambling. But their difference is fundamental, because the basis of insurance is co-operation which is recognised in Islam.

The economic foundation of insurance is not the elimination of risk or loss—although insurance organisations may find it profitable to engage in this activity—but rather the substitution of a known small loss for an uncertain large loss. The implications of this foundation are not as negative as they at first appear. Society as a whole benefits through the accumulation of capital reserves which make good the loss resulting from the destruction of valuable assets; business costs are lowered to the degree that risk is eliminated and credit strengthened and the insured individual is enabled through mutual action to obviate poverty and destitution for himself and his dependants. The fact that the payments of all participants aid each participant in case of need is an essential characteristic of insurance. This principle of mutuality is not limited in the slightest degree to mutual companies but applies to all insurance organisations whatever their

legal structure, to joint-stock companies, as well as to Government insurance funds. The more numerous the individuals of each class who share the risk, the more exactly can it be estimated and the more cheaply can it be covered and protection administered. It is precisely because insurance is mutual that public opinion, even in countries predominantly capitalistic, has almost universally caused the Governments to abandon the theory of individual initiative in favour of compulsory insurance of risks such as health, workmen's compensation and fire.

Thus insurance teaches us the need for interdependence in the society. This very spirit is very helpful for achieving the goal of universal brotherhood. But gambling is prohibited inasmuch as it promotes dissension and hatred, and tends to deter those who indulge in it from the remembrance of God and from prayer, thus occasioning a great harm than any possible benefit that may be derived from it (ii. 220; v. 92).

Again, insurance has been recognised as one of the most effective media for the mobilisation of national savings for productive purposes. Pakistan, for instance, has been aware of the importance of this vital sector of the economy and the insurance industry has continued to make rapid progress both in life and non-life fields, whereas gambling is prohibited in Pakistan, because it pollutes social life, arrests the moral and spiritual development of man, encourages wastages. Therefore, it is a bar to economic growth. Thus we see that insurance is motivated by the principles of co-operation and maximum social advantage, and gambling is the negation of these principles. Therefore, insurance cannot be styled as un-Islamic.

3. Difference

Now the question arises whether there is any difference between the modern insurance industry and the insurance industry which an Islamic State proposes to have. The Islamic insurance differs fundamentally from modern insurance both from the point of view of form and nature. From the point of view of form, let me say a few words about the evolution of modern insurance in the first instance. The history of insurance is as yet unwritten; only

milestones of its evolution are known. Devices resembling insurance were not unknown in antiquity. In Imperial Rome, for example, there existed *collegia*, associations of artisans, which paid the surviving dependants of their members a funeral sum in return for the payment of monthly premiums. In this general evolution, there can be distinguished three types of insurance operations, more or less independent, not successive but rather passing often and continuously from one type to another. These three types may be called co-operative, capitalistic and government.

The organisation of insurance on a co-operative basis is motivated by the same causes and follows essentially the same development in modern times as in antiquity. In my view, an Islamic State should encourage formation of insurance industry motivated by co-operative spirit, because the idea of co-operation is recognised in Islam. The capitalist type of insurance, the insurance business proper born of marine insurance, which is of Roman origin, was founded for profit and based on commercial calculations. The highly differentiated economic life of the second half of the nineteenth century brought with it numerous cultural gains accompanied by new dangers and new requirements. The expansion of the insurance industry made necessary, in turn, the extension and spread of reinsurance. Owing to successful stabilisation of currencies after post-War inflation the present century is even more clearly characterised by the growth of insurance companies into enterprises operating on an international scale, by the founding of subsidiary companies and by the formation of cartel-like associations of entrepreneurs in all large countries and in all branches of insurance. Horizontal concentration to reduce competition has been especially characteristic of this period. But vertical concentration, for instance, in the form of the combination of insurance and reinsurance within the same concern, is not uncommon.

There is the point for consideration whether cartel-like association of entrepreneurs in the field of insurance industry is Islamic. We all know that a monopoly-dominated economic order cannot deliver goods to the society. Since the basic objective of such cartel-type insurance is to maximise profits irrespective of the ultimate welfare of the individual, this cannot be called

Islamic. The Islamic State must come forward either to control or to supervise such insurance industry. In fact, the increasing importance of insurance industry has everywhere resulted in legislation leading to more effective State supervision of its conduct and policy forms. A number of countries like India have nationalised the insurance industry. For an Islamic State the point at issue is not whether insurance industry should be nationalised, but the main consideration is whether it is organised in such a way so that it may promote total welfare of mankind keeping in view the injunctions of the Holy Qur'ān and the Sunnah.

Thus, insurance should be encouraged and extended on a national scale, in an Islamic State. Insurance against death may be left to private companies. Insurance against old age, unemployment, sickness and injury may be sponsored by the Government on a national scale, so that the whole nation may be collectively responsible to provide for those who are sick or old or unprovided for or unemployed. Besides the premia, an Islamic Government will have its Zakāt revenue to spend on it. It would be very similar to the National Insurance Scheme in England which covers all economic risks of all persons from the cradle to the grave. The only difference would be that the liabilities would not be used in interest-bearing undertakings.

Moreover, insurance companies these days invest their funds in mortgage business and other interest-bearing undertakings. But Islamic insurance companies will have to provide capital loan instead on partnership basis in business and industry. It is recommended that the Islamic insurance industry should make investment either directly or on the basis of *Mudārabah* or in participation with Islamic banks and other credit institutions. Since the ultimate purpose of all the Islamic credit institutions is one and the same, viz. welfare of the people, the feasibility and practicability of establishing an insurance department in Islamic banks may be examined by Muslim States. As Islam does not allow speculation and gambling, the Islamic insurance industry will cover only the genuine risks and it would be a self-liquidating process which will provide protection to the insured on the principle of mutual assistance and co-operation.

4. Conclusion

(a) There is a feeling that insurance is un-Islamic, because it is said that it is nothing but gambling or speculation. But there is a fundamental difference between gambling and insurance. While gambling promotes dissension and hatred and tends to deter those who indulge in it from remembrance of Allah, insurance is based on co-operation and the insured individual is enabled through mutual action to obviate poverty for himself and his dependants. There is nothing in Islam which prevents anyone from making provision for his dependants. In fact, through insurance, the society as a whole gets benefits out of accumulation of capital reserves.

(b) The difference between modern insurance industry and Islamic insurance industry lies not only in its form but also in the nature of its handling the business. The present-day trend toward formation of cartel-like associations of entrepreneurs in the field of insurance and reinsurance is the negation of Islamic values of life. We know that the modern insurance industry invest their funds in interest-bearing undertakings. But the Islamic insurance companies will provide capital loans instead either directly on the basis of Muḍārabah or in participation with Islamic banks and other specialised credit institutions. The possibility of opening an insurance department in the Islamic banks also deserves active consideration.

Chapter XV

ISLAMIC SOCIAL ORDER

1. Islamic Social Order : Its Salient Features
2. Concept of Welfare State in Islam : Moral, Spiritual, Social, Political and Economic Values

O mankind! lo! We have created you male and female; and have made you nations and tribes that ye may know one another. Lo! the noblest of you, in the sight of Allah, is the best in conduct. Lo! Allah is Knower, Aware.

—*al-Qur'ān*, xlv. 13

No man hath believed perfectly until he wisheth for his brother that which he wisheth for himself.

—*Prophet Muhammad* (be peace on him)

1. Islamic Social Order : Its Salient Features

Meaning and Scope. Social order conceived of by Islam is mainly based on the teachings of the Holy Qur'ān and the sayings and practices of the Holy Prophet. It is neither capitalistic nor communistic, but it stands on its own and combines all the good features of a healthy and balanced society. Both the systems are making great efforts in improving themselves in such a way that Communism seems to have started to loose its rigidity towards ownership of personal property and Capitalism is finding more ways and means for the equitable distribution of national wealth for the benefit of the common people. But Islam has already provided these fundamentals in its economic system where free enterprise and ownership of private property are allowed and accumulation of wealth in a few hands and exploitation of the poor by the rich are prohibited. This Islamic economic system is called Islamic Socialism or Social Order.

The fundamental basis of Islamic democracy or socialism are summed up in the following verses of the Holy Qur'ān :

We have made you an Ummah justly balanced, and seek to pursue the middle course.

O people! be careful of (your duty to) your Lord Who created you from a single being.

All people are a single nation.

Thus we have :

(i) Our duty to God Almighty.

(ii) Our duty to fellow man who is equally free and worthy. This establishes the unity of all humanity.

(iii) The injunction to follow the middle path in all matters. Of course, it is not geometrically or exactly physically middle. Only proverbially so. The intention is to steer clear of the extreme.

The desire to avoid the extremes in Politics and Economics gave rise to the use of the terms "Islamic Democracy" and "Islamic Socialism," which are really interchangeable, for the Islamic variation offers the best of the two systems.

This fact was admitted even by many a Western thinker of

repute. Professor Arnold Toynbee, commenting in his *Civilization on Trial* on the racialism and nationalism of the Western culture, sees salvation for the world in Islam. "We can, however, discern certain principles of Islam which, if brought to bear on the social life of the new cosmopolitan proletariat, might have important and salutary effects on the great society, in a near future. The extinction of race-consciousness, as between Muslims, is one of the outstanding achievements of Islam; and in the contemporary world there is, as it happens, a crying need for the propagation of this Islamic virtue. It is conceivable that the spirit of Islam might be the timely reinforcement which would decide this issue (of ascending racialism and nationalism) in favour of tolerance and peace."

Professor H A.R. Gibb, in *Whither Islam*, says: "Within the western world, Islam still maintains the balance between exaggerated opposites. It has not yet succumbed to (that) obsession with the economic side of life." Professor Massignon, another Orientalist, pays tribute to Islam thus: "Islam has the merit of standing for a very equalitarian conception. It occupies an intermediate position between the doctrines of bourgeois capitalism and Bolshevist Communism."

Social Equality. The distinguishing mark of Islam is its respect for the individual, and absolute human equality, irrespective of any consideration at all. All enjoy equal status—socially, politically and economically. The status of women, minorities and slaves in Islam is matchless and proverbial. The dignity of labour is an article of faith in Islam.

"The believers are but a single brotherhood," says the Holy Qur'ān. Equality in Islamic Socialism is equality before law, and equality of opportunities to all without any favour or consideration.

The history of Islam records many incidents which bear ample testimony to the fact that Islam believes in equality before law both in theory and practice. The following two incidents may be cited as instances:

(a) The Caliph Ḥadrat 'Alī had lost a shield. A servant told 'Alī that he had seen the shield in possession of a Jew. So 'Alī filed an application in the court of the Qāḍī (Judge) for restoration of his property. The Jew was summoned and asked to prove that the

shield was his. He replied that the fact that it was in his possession was enough proof that it was his; it was up to the Caliph to prove that it was his. Ḥadrat 'Alī presented his son Ḥusain and his servant as witnesses. The Jew objected that the testimony could not be accepted in law because one was his son and the other his servant. Though the Qāḍī knew personally that neither 'Alī nor Ḥusain could tell lies he dismissed the petition of the Caliph saying that the evidence offered was not acceptable to law. And the Caliph also accepted the verdict. The Jew was moved at the respect for law that he witnessed; he came to the Caliph, gave him the shield and announced that he had also decided to become a Muslim.

(b) A Christian had filed a suit before Caliph 'Umar ibn 'Abdul 'Azīz against Prince Hishām ibn 'Abdul Malik, who was sitting as one of the courtiers. It was then the custom for the complainant and the defendant to stand shoulder to shoulder before the court. Caliph 'Umar ibn 'Abdul 'Azīz asked Prince Hishām to get up and stand in front, along with the complainant before he began the inquiry. Prince Hishām's face grew red and he did not move from his seat. The Caliph at once commanded him to get up and stand in front, and added: "In Islamic justice, a Muslim prince and a Christian civilian are both equal" (*Muslim World*, 24 February 1968).

Thus in his book *Authors of History*, H.G. Wells rightly writes: "The stress Islam lays on equality of all men without any distinction of creed and class and the practical domestic brotherhood of Muslims has made the faith one of the greatest forces of the civilized world today." By laying special stress on merit and virtue to the entire exclusion of all other conventional labels and badges of distinction, Islam has created what in modern phraseology may be termed as "Balanced Society" or Intermediate Community as the Holy Qur'ān calls it. It did not merely emphasise social equality, but also disallowed all such attitudes and activities as are likely to disrupt social harmony in the long run.

Exploitation and Private Property. Islam conceives of a society immune from class distinctions and vested interests, and hence free from various kinds of class conflict, which threaten modern countries, excepting Russia (and China) with deep-seated economic

maladies. "Whatever form it may have assumed, the exploitation of one part of society by the other has been a fact common to all past ages. In proportion as the exploitation of one individual by another comes to an end, the exploitation of one nation by another will come to an end" (Karl Marx).

According to Islam, land belongs to none but God. Therefore it is State property under Divine decree. In industry there cannot be any exploitation of labour by capital under Islam.

Legal ownership by the individual, that is to say, the right of possession, enjoyment and transfer of property, is recognised and safeguarded in Islam, but all ownership is, as we have seen, subject to the moral obligation that in all wealth all sections of society, and even animals, have a right to share (Qur'ān, li. 20). Part of this obligation is given legal form and is made effective through legal sanctions, but the greater part is secured by voluntary effort put forth through the desire to achieve the highest moral and spiritual benefits for all concerned. In fact, this supplementing of legal obligations, which secure the irreducible minimum with moral obligations to be discharged through voluntary effort, runs through every part of the Islamic system. The uniqueness of the Islamic concept of private property lies in the fact that in Islam the legitimacy of ownership depends on the moral sign attached to it. In short, Islam purges private property of its vicious potentialities and lets it have a beneficial growth. The right to property is confined to essentials and necessities. Beyond that, one's wealth is to be spent in the way of God, through various channels. "The son of man," says the Prophet, "has no other right (than) that he would have a house wherein he may live, and a piece of cloth wherewith he may hide his nakedness, and a chip of bread and some water" (Tirmidhi). Nothing could be more socialistic than that.

Within the framework of the bourgeois system of production, freedom means free trade, free buying and selling. Certainly we are concerned to make an end of bourgeois individuality, and bourgeois independence and bourgeois freedom. "Communism does not deprive anyone of the power of appropriating social products. It only does away with the power of turning that appropriation to account as a means for the subjugation of another's

labour" (Marx). In their awareness and condemnation of, and to guard against, the evils of private property, Islam and Socialism are equally vehement. But theoretically Socialism goes the whole way, while Islam's is the middle path, the golden mean. Socialism starts with dispossession, even forceful dispossession, of all owners of property. It envisages a cataclysmic change at the outset. It sublimates violence into revolutionary legalism. Islam like Socialism views the unsocial accumulation of wealth with scorn and contempt because of its disturbing repercussions on society. But it lays down a different course of action. It countenances socio-economic gradations which do not prejudice the welfare of society. The Holy Qur'ān says: "God doth enlarge, or grant by (strict measure the sustenance which He giveth), to whomso He pleaseth" (xiii. 26). It allows the earning of money and the possession of it. Private enterprise is not a taboo in Islam. It is disfavoured only when it assumes an aggressive role and cuts deep into the livelihood of the people at large. Under Islam, all avenues of such morbid developments in trade and business are closed.

Economic Activities. Islam not only allows its followers freely to engage themselves in everyday economic activities for worldly possessions but also induces them strongly for work and livelihood.

And when the prayer
Is finished, then disperse
Ye through the land
And seek the bounty of God (Qur'ān, lxii. 10).

Trade, commercial partnerships, co-operatives, joint-stock companies, are all legitimate activities and operations (ii. 276). Islam does, however, lay down regulations with regard to commercial activities designed to ensure that they be carried on honestly and beneficently. All contracts, whether involving large amounts or small, must be reduced to writing, setting out all the terms thereof as this is "more equitable in the sight of Allah, and avoids disputes" (ii. 283). Monopolies and the cornering of commodities are prohibited; so also the holding back of produce from the market in expectation of a rise in prices. All this is opposed to beneficence, and those who indulge in such practices seek to take advantage of the need or distress of their fellow beings.

There are stern injunctions in the Qur'ān with regard to the giving of full weight and measure (xxvi. 182-185).

Capitalism. The chief requisite for the existence and rule of the bourgeois is the accumulation of wealth in the hands of private individuals: the formation and increase of capital. The chief requisite for capital is wage labour. In bourgeois society, capital is independent and has individuality, whereas the living person is dependent and lacks individuality (Karl Marx).

Again, interest is the centre round which Capitalism moves. Therefore, Capitalism encourages hoarding of wealth. But Islam directs that wealth should not be hoarded. It should remain in circulation and should be invested to provide productivity in society.

Who hoard their wealth
And enjoin avarice on others
And hide what Allah hath bestowed
Upon them of His bounty.
For disbelievers We prepare
A shameful doom.

Again, the lending of money on interest or usury is strictly prohibited as it results in economic crises and makes the rich richer and the poor poorer. Islam has, therefore, allowed banking and financing on partnership basis where the creditor and borrower should share profit and loss of the enterprise equitably.

But God has permitted trade
And forbidden usury (ii. 275).

The Prophet (peace be upon him) has condemned both the receiver and the giver of usury (Bukhārī).

The harmful effects of interest on the traditional capitalistic countries were found to be so deep, especially during the Great Depression of 1929-33, that the economists of those countries were forced to discard the classical economic theories and evolve new ones advocating the elimination of interest from their economic institutions. John Maynard Keynes (1883-1946), the pioneer of the new economic theories, looking at the expanding money supply, had predicted in his famous book, *The General Theory of Employment, Interest and Money*, published in 1936, that the rate of interest would approach zero in the next thirty years (p. 220).

"In fact, the great economic principle of the elimination of interest, as enunciated by the Qur'ān is found by modern research and experimentation to be the *sine qua non* for full employment and economic growth."

Again, Islam offers a blow to Capitalism by condemning concentration of wealth in a few hands: Islam does not allow that wealth should be concentrated in a few hands to disturb the equilibrium of the society, because it results in exploitation of the poor by the rich:

The needy and the wayfarer;
In order that wealth may not
Make a circuit merely
Between the wealthy among you (lix. 7).

Planning. The modern conception of planning which refers to the utilisation of resources of the country to attain certain objectives is recognised in Islam. Economic planning in Islam is nothing but a synthesis of planning by inducement and planning by direction. Various injunctions of the Holy Qur'ān and sayings of the Prophet (be peace on him) confirm it. Co-operation between public and private sectors is the basis of economic planning in Islam. The objective of economic planning in Islam is relative to the needs of the community, and this can be changed with the changing circumstances subject to the injunctions of the Holy Qur'ān and the Sunnah. The soundness of its objective can be judged by the principle of beneficence and care for the have-nots. The execution of planning will be made through the participation of public and private sectors on partnership basis which will work through the application of the principle of Muḍārabah. It is because of this that there will be little chances of loss and less possibilities of depression under the Islamic system of planning.

Social Justice. The institution of Zakāt and the Islamic doctrine of inheritance are the pillars of the Islamic conception of social justice. Islam has provided the institution of Zakāt where well-to-do people have to pay a compulsory charity to provide relief to the poor and the distressed and thus to eradicate poverty from society. It also serves the purpose that wealth cannot be hoarded indefinitely by any one person.

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Establish worship, pay the poor-due (az-Zakāt)
And bow your heads with those who
Bow in worship (ii. 43).

The Islamic concept of taxation is so comprehensive and broadbased that it not only promotes socialistic redistribution of wealth but also creates a healthy non-capitalist frame of mind and a collective spirit. Thus Zakāt generates and releases positive forces of Socialism. In order that wealth may not be concentrated in a few hands, Islam makes it obligatory to distribute the property of a deceased person among the large number of heirs under the Islamic law of inheritance. Under this law, the property is distributed among male as well as female heirs. One cannot will a legacy more than one-third of the property. This law also shows the active participation of women in economic activities allowed by Islam. There is a group of thinkers who hold the view that the Islamic law of inheritance has aggravated the problem of subdivision and fragmentation of holdings. But it is not that problem. This can be prevented by legislation prescribing the size of a minimum holding, by paying off the other heirs in convenient instalments. Egypt has already passed such legislation and other Muslim countries are bound to follow suit during the course of agrarian reforms that are being rapidly effected in all Muslim lands. Muslim peasant-proprietors may be encouraged by the State in the interests of increased production to adopt a system of co-operative farming.

Islam also advocates the provision of basic needs because it believes in a society where State should be responsible for providing a living wage or relief to every inhabitant of the country. To ensure social justice for the people the State should also take the responsibility of providing the basic needs of every citizen of the country for clothing, food and shelter. It will serve as a solution to the economic ills of the unequitable distribution of national wealth among the people of the country.

Perhaps we can sum up by saying that Islamic Socialism condemns Capitalism and exploitation of all forms; it is based on the eternal principle of social justice, equality and universal brotherhood of man. What is the crying need of the hour is to strike a balance between conflicting ideologies. We have the

Quaid-i-Azam's wise choice and decision: "Pakistan should be based on sure foundations of social justice and Islamic Socialism (not any other 'ism)—which emphasises the equality and brotherhood of man."

2 Concept of Welfare State in Islam

The concept of Welfare State is gradually gaining ground day by day in a number of modern States. This concept of the Welfare State is based either on the Marxian interpretation of history or on the principles of Welfare Economics of Professor Pigou. In both cases emphasis is given on the material welfare of the people to the neglect of spiritual and moral one. But the Islamic concept of the Welfare State differs fundamentally from the prevailing notion of the same. Because its concept is so comprehensive in nature that the Welfare State in Islam aims at achieving the total welfare of mankind of which economic welfare is merely a part. Equal stress on Zakāt and Ṣalāt in the Qur'ān is quite significant for proper understanding of the true nature of the Welfare State in Islam. The dynamic interplay of these spiritual and secular institutions in the Islamic society is symbolic of inner unity of Religion and Economics. Its social and economic effects are wholesome and the social pattern that emerges is free from the hideous tyrannies of Capitalism and the coercive standardisation of the communistic society. It was this all-pervading social harmony that led H.G. Wells to remark: "Islam has created a society more free from widespread cruelty and social oppression than any society had ever been in the world before."¹ As a matter of fact, the Islamic concept of the Welfare State is based not only on the manifestation of economic values but also on moral and spiritual, social and political values of Islam. Let us now discuss in some detail the nature of these values and the part a Muslim State can play in fostering those values.

Moral and Spiritual Values. The basis of moral and spiritual values lies in its acceptance of life and its proper development. "Righteous living, making proper and balanced use of one's faculties and of the bounties provided by God, is the rule of life" (xxiii. 52). "Say, 'Who has prohibited the use of the good and

1, *The Outline of History*, p. 325.

pure things which God has provided for His creatures?" (vii. 33). Within this general concept, the Qur'ān lays down detailed instructions for the fostering of moral and spiritual values. The object is the beneficent and co-ordinated development of all faculties. Whatsoever God has bestowed upon man by way of inner faculties and external possessions must all be put to appropriate use. That use must be adjusted and regulated, otherwise it would cease to be a moral activity. Islam teaches that natural instincts and tendencies are converted into moral qualities through their proper regulation and adjustment by the exercise of reason and judgment. The Qur'ān classifies moral qualities from different points of view. There are those that relate to the mind and those that relate to the body. The Qur'ān directs: "Approach not evils and indecencies whether manifest or hidden" (vi. 152). Man is accountable in respect of both kinds of conduct: that which manifests itself in action and that which is contemplated and meditated but does not find expression. The Qur'ān places every person under obligation to safeguard and promote the welfare of his own soul as well as the welfare of his fellow beings (v. 106; iii. 111, 115). A penalty proportionate to the wrong committed is permissible, but it is better to forgive where forgiveness may be reasonably expected to help the offender improve himself—and it is even better to add benevolence to forgiveness. To endure wrong patiently and to forgive is described as a "matter of high resolve" (iii. 187; xxxi. 18; xlii. 44). The Qur'ān declares that the strongest and highest love of those who believe is for Allah, meaning that the love of God must come before everything else (ii. 166). Here is a very clear gradation in the matter of the duty derived from love and affection: "Worship Allah and associate naught with Him, and conduct yourselves with beneficence toward parents, and toward kindred and orphans, and the needy, and toward the neighbour that is of the kindred, and the neighbour that is a stranger, and the companions by your side, and the wayfarer, and those who work for you. Surely, Allah loves not the proud and boastful who are niggardly and enjoin people to niggardliness" (iv. 37-38). Love of children is not stressed, for it is a natural instinct. But the Qur'ān stresses the need of their proper upbringing and points out that love

of children involves the duty of safeguarding their future, both here and in the hereafter (lxvi. 7). The natural instinct opposed to love is hate, repugnance, or enmity. In the first place it is not a moral quality at all; it is a natural instinct. Its proper regulation converts it into a moral quality. One must hate evil; one must resent certain types of wrongdoing. Another natural instinct is the desire to outstrip one's fellow beings in the race for progress. The Qur'ān says that everyone has an urge toward the achievement of some purpose, but that the proper goal toward which to direct this urge is the progressive achievement of righteousness (ii. 149). If this instinct is not properly regulated it might generate envy, fault-finding and lack of appreciation of the good qualities of others. It might make a man proud and boastful. In short, natural instincts are a bounty of God as much as are mental and physical capacities. It is not their essential nature, but their proper or improper exercise that is good or evil. Indeed, the neglect of any capacity is itself evil inasmuch as it amounts to misuse of it. That is why Islam does not permit celibacy or monasticism as a way of life. It recognises that people who instituted these systems did it with a good motive, but inasmuch as the systems offended against the principle of the beneficent use of all faculties and capacities, they lent themselves to abuse and did harm (lvii. 28).

The Islamic State must take the responsibility of converting natural instincts into moral qualities. To achieve this end there is an imperative need for reorientation of the educational systems of the Muslim States. The syllabi of schools, colleges and universities should be fashioned in such a manner so that the future generation is imbued with the spirit of Islam.

Social Values. The Islamic concept of the Welfare State is also concerned with the fostering of social values which are so comprehensive in nature that they regulate one's behaviour and code of conduct with regard to one's family life, one's servants, one's neighbours, one's management of orphans' property and what not. The object of all these instructions as laid down in the Qur'ān and the Sunnah is to set up a healthy society based on the lasting welfare of mankind.

The Qur'ān takes note of the diversities of race, colour,

language, wealth, etc., which serve man's own useful purposes in the social scheme, and describes them as signs of God for those who hear and possess knowledge (xxx. 23). But none of these confers any privilege or imposes any disability. The Qur'an says that God has divided mankind into tribes and nations for greater facility of intercourse. Neither membership in a tribe nor citizenship in a State confers any privilege, nor are they sources of honour. The true source of honour in the sight of God is a righteous life (xlix. 14). In his Farewell Address, the Prophet said: "You are all brothers and are all equal. None of you can claim any privilege or superiority over any other. An Arab is not to be preferred to a non-Arab, nor is a non-Arab to be preferred to an Arab."

It is only the consciousness that mankind are all equally creatures and servants of God and that they must all constantly seek the pleasure of God, that can bring about the realisation of true brotherhood, which can stand the test of all the contingencies to which life is subject. "Hold fast, all together, by the rope of Allah, and be not divided: and remember the favour of Allah" (iii. 109).

This sublime aspect of the Islamic teachings has evoked glowing tributes even from the enemies of Islam. Dr Dhalla, in his book *Our Perfecting World*, says: "Muhammadanism alone among the religions of the world has remained free from the colour bias. It welcomes all converts with open arms, whether they be negroes or pariahs. Without reserve it accords them their rights and privileges and receives them into its social circle as much as into its religion. It excludes all barriers of birth and colour and admits its converts within the community on the basis of complete social equality." Dr Dennison Ross says: "It was among the Arabs that the man was born who was to unite the whole known world of the East and the West. This unique concept of brotherhood of Muslims has made Islam one of the greatest forces of the civilized world today."

Political Values. But the most important characteristic of the Welfare State lies in its political values. Unlike modern Western democracy, sovereignty in the Islamic State belongs to Almighty Allah and equality of mankind in His eyes distinguishes the rule of law of the Islamic States from that of Western countries. In

Western democracy, sovereignty belongs to the people. So, the head of the State with his so-called majority can make or interpret any law suited to his requirements. In such a state of affairs the minority, nay, the whole mankind, is really at the mercy of the so-called majority.

The term used for governmental or political authority in Islam is the "Khilāfat" or Vicegerency. It speaks of man's vicegerency. He is not an absolute sovereign. He is a deputy working with delegated powers—an agent working under the authority of the principal. Unlike Aristotle and Plato, or Hegel and Green, Islam does not consider the State to be an end itself. Nor does it consider the State to be the repository of absolute sovereignty. Islam is perhaps the first religion that put forward the philosophy of limited sovereignty, by using the word "vicegerent" in place of "ruler," "monarch" or "sovereign". This doctrine of limited sovereignty is the first thing that needs to be borne in mind for understanding the Islamic concept of State. In Islam State is a means to an end, the end being to "enjoin what is good and forbid evil" (iv. 111) and make justice prevail in the world (lvii. 27). The beneficent and harmonious working of the human society in accordance with the law and the will of the Creator is the end that is sought to be achieved through State in Islam. The sovereignty of man, therefore, is limited by Divine Ordinances and by the principles on which they are based.

But a study of the Holy Qur'an also reveals that the limited sovereignty or vicegerency is vested in the people and not in any individual. "Allah hath promised such of you as believe and do good works that He will surely make them successors in the earth (xxiv. 56). It is the society as a whole that has been promised succession or vicegerency and not an individual.

That is the second characteristic of the Islamic concept of State. Similarly, "Allah command you to make over the trust to those entitled to them, and that, when you judge between men, you judge with justice" (iv. 59). In this verse also it is the people as a whole who have been addressed and asked to make over the trust, that is, the political authority, to those who deserve.

The concept of the State that emerges is: (1) that the real and absolute sovereignty belongs to Allah; (2) that man being

His vicegerent has been vested with limited sovereignty. The rights and obligations of both stem from the Divine Law and both of them are bound to submit to that law.

In the theory of the Muslim Law "contract" is not a bilateral bond. It is really a trilateral one, God being the third party Who is a surety for the due performance of the obligations contracted for by those entering into a contract (xvi. 92). It is clear that the only kind of Government recognised by Islam is the representative Government. The word "trust" used in the verse so indicates that those who are elected to discharge the responsibilities of the State should return the "trust" to the real owners, that is, the people, and should not pass it over on hereditary basis.

That being the nature of things, we have now to see whether political opposition is possible in such a State. The Holy Qur'an has prescribed certain guiding principles for those in authority and has also given certain directions to the people. Those in authority have been enjoined to conduct themselves in accordance with the law of God and His Messenger and have been warned that "whoso judges not by that which Allah has sent down, these it is who are the disbelievers" (v. 45) and "these it is who are wrongdoers" (v. 48) and "whoso judge not by what Allah has revealed, these it is who are the rebellious" (v. 48). They have also been directed to "take whatsoever the Messenger gives, and to abstain from whatsoever the Messenger forbids" (lix. 8). They have also been warned that they should not follow the evil inclinations turning away from the truth "that has come to thee" (v. 49). The people, on the other hand, have been asked to obey those in authority and not to disobey what is right" (lx. 13), and "to help not one another in sin and transgression" (v. 3) and "to yield not to anyone among them who is sinful" (lxxvi. 25). These limitations of obedience indicate that the people have a right to disagree with those in authority when the clear law of God and the Prophet is being disregarded. Where obedience ends, disagreement and opposition start. The fact that there is a limitation to obedience is tantamount to saying that there is a point where opposition should step in. Thus in his first address Ḥaḍrat Abū Bakr said: "Obey me as long as I obey God and His Prophet. In case I disobey God and His Prophet, I have no right

to obedience from you." He also said: "Help me if I am in the right and set me right if I am in the wrong." Similarly, in one of his addresses Ḥaḍrat 'Umar said that "nobody should be obeyed in disobedience to God." After becoming Khalīfah, Ḥaḍrat 'Uthmān also reiterated the same principle. Ḥaḍrat 'Alī said: "As long as I obey God, you must obey all my commands whether you like them or not; if I disobey God, then none need be obeyed in defiance of Allah." All this suggests ample scope for opposition, at least on individual level.

But whether there can be opposition on the basis of party system, as it exists in modern democracies, requires analysis. MacIver defines a political party as an association of individuals organised in support of some principle or policy which, by constitutional means, it endeavours to make the determinant of Government. If the sole and primary purpose of a political party be to capture political power, such a party, in my view, will not be in keeping with the spirit of Islam. Islam insists on unity of faith and action and enjoins us to "hold fast, all together, by the rope of Allah and be not divided" (iii. 104).

In an Islamic State, election or expression of popular will, in one way or the other, is likely to be a regular feature; in everyday matters also people are likely to have divergent views. Islam being the greatest exponent of freedom of conscience, this divergence of views is to be welcome. The opposition, of course, has to be political and not ideological. In an Islamic State loyalty is only to the constitution and truth. There is no such thing as party loyalty. If truth lies on the opposite side one must acknowledge it as such. In my view political opposition is possible on the basis of party system. But parties in an Islamic State would be radically different from the ones we see in modern democracies. It is for the modern Muslim State to evolve a system that may reflect all the Islamic principles. Islam has nothing against a party that is based on the principle of helping one another in righteousness and piety. Hence there is little or no scope for exploitation of the minority by the majority. The Welfare State in Islam must be based on the proper realisation of this political value.

Economic Values. The last, not least, is the economic values the

proper manifestation of which is one of the basic aims of the Welfare State in Islam. The basic economic values of Islam start with the fact that absolute ownership of everything belongs to Allah and the whole of mankind is His vicegerent on the earth and everybody has his due share in it. Thus everybody has the right to participate in the process of production, and no section of society will be ignored in the process of distribution.

Legal ownership by the individual is recognised and safeguarded in Islam, but all ownership is subjected to the moral obligation that in all wealth all sections of society, and even animals, have a right to share (li. 20). In fact, this supplementing of legal obligations to be discharged through voluntary effort runs through every part of the Islamic system.

Islam has encouraged all types of economic activities subject to the injunctions of the Qur'ān and the Sunnah. Monopolies and speculative business are prohibited because all this is opposed to beneficence.

Islam views with extreme disfavour the monopoly of resources by a few self-seeking millionaires. The Holy Qur'ān says:

In order that it (wealth) may not
(Merely) make a circuit

Between the wealthy among you (lix. 7).

The Holy Prophet (peace and blessings of God be upon him) commends and commands socially beneficial expenditure: "Riches should be taken from the rich and returned to the poor" (Bukhārī, 8).

There is a grievous punishment in store for those who abuse their riches to the detriment of society. God commands:

(The stern command will say :)

"Seize ye him,

And bind ye him,

And burn ye him,

In the Blazing Fire.

Further, make him march

In a chain, whereof

The length is seventy cubits" (lxix. 30 ; xxxi. 32).

Islam, as the above-quoted verses prove to the hilt, is all for the equitable distribution of wealth and does not countenance idle hoards of the Napoleons of finance and others of their ilk who

profiteer at the cost of others. But, unlike Communism, it does not hold rich men under a sentence of death. It permits the holding of what is known as functional property and encourages the productive and beneficial use of capital. The motive of the Islamic teachings in regard to economic system is that they seek to discourage hoarding and stimulate spending, because wealth, whether in the hands of one or a few men, has a social destiny. The Holy Book says :

Speak to My servants

Who have believed,

That they may establish

Regular prayers and spend

(In charity) out of the Sustenance

We have given them,

Secretly, and openly, before

The coming of a Day

In which there will be

Neither mutual bargaining

Nor befriending (xiv. 31).

And spend (in charity)

Out of what We have provided

For them, secretly and openly.

Hope for Commerce

That will never fail (xxxv. 29).

It is obvious that the stress is on socially beneficial spending only. Lest it should be misinterpreted, God warns against ostentatious extravagance and reckless spending. He commands:

But waste not

By excess, for God loveth not wasters (vi. 14).

Verily spendthrifts are brothers

Of the Evil Ones;

And the Evil One

Is to his Lord (Himself)

Ungrateful (xvii. 27).

Thus we see that niggardliness is condemned as a negative and destructive quality. Wealth of misers, instead of bringing them any advantage, becomes a handicap and arrests their moral and spiritual development (iii. 181). The other extreme, extravagance, is equally condemned. Again, "hoarding is absolutely prohibited because it puts wealth out of circulation and deprives the owner

as well as the rest of the community of its beneficent use" (ix. 34).

Islam prohibits interest because interest has nothing to do in influencing the volume of saving, because it makes depression chronic, because it aggravates unemployment problem and, finally, because it encourages unequal distribution of wealth. Modern banks charge interest regardless of any loss or profit to business men. It would, therefore, be seen that under capitalistic economy an organised attempt is being made to further the interests of the rich and precluding the possibility of establishing economic equilibrium in society. As against this Islam has tried to bring economic equality in the State by imposing Zakāt on surplus funds.

The institution of Zakāt is an element in Islamic Socialism. Zakāt is, in fact, a tax which the rich have to pay towards the common welfare of the nation as a whole. It intends "to take wealth from the rich and to return it to the poor". In the light of such an explicit objective, Professor Pigou's cry of Welfare Economics on the basis of transference of wealth from the rich to the poor has nothing original in it. During Caliphate days Zakāt was so comprehensive and broadbased that it not only produced socialistic redistribution of wealth but also tended to create a healthy non-capitalist frame of mind and a collective spirit.

Lastly, the Islamic law of inheritance runs counter to the concentration of wealth in a few hands and by allowing women to take share in the ownership of property, Islam encourages the participation of women in economic activities. The basic objective of all these economic values is to increase the total economic wealth which must have the widest and most beneficent distribution among all sections of community and should not become the monopoly of the rich (lix. 8).

Thus Welfare State in Islam is based on harmonious development and manifestation of all possible values of life—moral and spiritual, social, economic and political. It is interesting to note that Pakistan is committed to the Welfare State concept based on the ideology of Islam. True it is that the objectives of our Perspective Planning, if properly achieved, will go a long way in attaining social justice, but many a social and economic institution of Pakistan still requires a major readjustment for attaining the goal of Welfare State.

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